

## iSerlution-Integrated Services Solution



**Annual Report 2010**

as at March 31, 2011

**Lohakit Metal Public Company Limited**

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## Message from the Chairman and Managing Director

The overall picture for the year 2010, Lohakit Metal Public Company Limited (“the Company”) continues to be the leading complete service provider in manufacturing of raw material and parts for various key industries. They include auto industry (production of exhaust pipe and other parts for car and motor cycles); electronic appliances industry (manufacturing of washer, rice cooker, refrigerator, microwave oven, and etc); computer and electronic industry (production of hard-disk and other parts); construction industry (stainless steel pipe and polishing stainless steel sheet for both interior and exterior decoration), food industry, and various other industries relating to stainless steel.

The Company has been continually improving its potential by incorporating new technology and modern machine. These new technology helps manufacturing products that better suite customers’ demand as well as expanding the Company’s existing production capacity. This boosts the confidence in the Company’s products. As a case in point, the Company’s sales volume from the auto vehicle group has been constantly expanding. This is a good signal for the Company. Furthermore, the continual effort in improving the Company’s capacity and the utilization of manufacturing experts from Japan in developing the products help create more confidence in the quality of the Company’s products. Additionally, the Company is increasingly being accepted by more and more international clients. It can be seen in that Mory Industries Inc., which is the leading stainless steel company in Japan, has elected us as its major business partner. In addition, currently, in the small auto vehicle industry group such as motorcycles, the sales volume has also been increasing as well. This is the good evidence proving the growth potential of the Company.

The Company does not pay attention only to key industry group in the country, but also foresee growing trend of international markets. The Company can utilize the existing capacity in expanding its business into overseas markets in the near future. The overseas market includes China, India, and other ASEAN nations. The goal is to increase more role in overseas markets especially in those countries on the ASEAN group in corresponding to the uniting schedule of the ASEAN nations in becoming ASEAN Economic Community (AEC) which is to be completed in 2015. The Company has started conducting feasibility study in its increasing roles in overseas market. This is done to increase sales volume and revenue to the Company.

From last year situation, 2010, it can be seen that the Global and Thai economies both have a better trend yet there are still various macroeconomic risk factors present. These macroeconomic risk factors include continually increasing oil price and raw materials. However, the domestic political situation seems to have resolved into a better direction. As a result, there is more confidence in the country and thus domestic investments as well as the international trade have been continually shifting into a better direction. The Company is aware of the effects of external factors on the Company’s operation. Furthermore, the Company had past experience of the crisis during the year 2008 where the operation was effect greatly from various external risk factors causing a loss to the Company’s operating result as had already reported to the public earlier. The Company, therefore, carefully carries out its operation while giving great attention in closely managing risk factors and carefully crafting the Company’s business plan. As a consequence, currently, the Company has been operating more effectively which can be seen in this year operating result ending March 31, 2011. That is for this year, the Company and its subsidiaries has operating net profit totaling Baht 139.11 million, an increase from last year net profit of Baht 101.27 million by 37.4%. However, the Company as always continues to bear in mind the maximum benefits to its shareholders. In that it pays out dividend appropriately.

On behalf of the Company’s Board of Directors, management, and employees, we would like to thank you all the shareholders, investors, clients, stakeholders, public and private sectors who have been continually giving support and confidence in the Company. The Company will persistently operate and improve the Company’s business for better growth and more stability and for the maximum benefit of shareholders.



Mr. Wanchai Umpungart  
Chairman



Mr. Prasarn Akarapongpisak  
Managing Director

## Report of Director's Responsibilities Over the Financial Statement

The financial statements of Lohakit Metal Public Company Limited and the subsidiaries were fairly presented in consolidated financial statement in compliance with the general accepted accounting principles and appropriate accounting policies. The reasonableness of the financial statements has also been carefully considered in order to ensure the benefits in using financial statement in view of sufficient and accuracy and reasonableness of financial status and operating result to shareholders, investors and associated parties.

In order to ensure the reliable of the financial reports of the Company, the board of directors appointed the audit committee who are capable and have complete qualifications as specified by the Stock Exchange of Thailand to review and ensure that the Company's financial reports are sufficient and accurate where all the connected and/or related transactions have been completely. The audit committee shall also evaluate the internal control system and the internal auditing system to ensure that they are appropriate and efficient to ensure that the accounting transactions are booked accurately, completely, sufficiently and timely. Such systems shall be able to prevent fraudulent or unusual transactions. The opinion of the audit committee is included in the audit committee's report as shown in the Company's annual report.

Based on the management structure and the internal control system as well as the report of the certified auditor, the board of directors believes that the financial reports of Lohakit Metal Public Company Limited and the subsidiaries as shown in the annual report for the year ended on March 31, 2011 have fairly reported the financial status, operating results and cash flow according to the general accepted accounting principles.



Mr. Wanchai Umpungart  
Chairman

## Audit Committee's Report

The board of directors appointed the audit committee who were considered from the criteria of experiences, capability, independent and other regulations, including Mr. Wanchai Ampungard, the chairman of the audit committee, Mr. Teera Na Wangkanai and Mr. Lert Nittheeranon. Those 3 members of the audit committee have never taken part in the Company's operation and have never been employed by the Company and the subsidiary.

During the year ended on March 31, 2011, the audit included Mr. Wanchai Ampungard, Chairman of the Audit Committee, Mr. Lert Nittheeranon, Audit Committee, had 4 meetings in every quarter and Mr. Teera Na Wangkanai, Audit Committee had 3 meetings, together with internal auditor and the certified external auditor to clarify and follow up audit results and relevant issues, including also preparing the minutes for each meeting. The agendas discussed over the meetings were in compliance with the scope of authorities and responsibilities to the board of directors which can be summarized as follows:

1. Reviewed and approved the quarter and annual financial statements, by questioning and listening to the external auditor clarifications, concerning the correctness and completeness of the financial statements and the adequacy of information disclosure. The Audit Committee agreed with the certified external auditor that the financial statement were correct adhering to the general accepted accounting principles before proposed to the board of directors for their approvals.
2. Considered and give opinion to the disclosure of the connected transactions and/or other transactions that may have the conflict of interest and the obligations of the Company as disclosed in financial statements and notes to the financial statement. The Audit Committee had opinion that such transactions were reasonable and gave benefits to the business of the Company.
3. Considered and give opinion to the sufficiency of internal control system of the Company, by considered the scope of work, duties and responsibilities, independency of A.M.T. Services Office Limited the Company's internal audit and approved annual audit results conducted during the year according to approved audit plan. The Audit Committee had opinion that the Company had the internal control that was adequate and appropriate with no significant flaw.
4. Considered, reviewed and revised the charter of Audit Committee to ensure the compliance of duty and responsibility to objective of board of directors and the revision of regulation for internal audit committee of Stock Exchange of Thailand (if any).
5. Reviewed compliance with the Securities and Exchange Acts, Regulations of Stock Exchange of Thailand (SET) and any others relevant laws. The Audit Committee did not find any significant incompliance to the law and regulations.
6. Considered appointing and recommended the board of directors to nominate the external auditors and their audit fee to propose to the shareholder's approval, which the Audit Committee considered the performance, independency and audit fee and concluded to propose appointing Ms. Sumalee Reevarabandith, CPA License No. 3970 or Mr. Sophon Permsirivallop, CPA License No. 3198 or Mrs. Gingkarn Atsawarangsalit, CPA License No. 4496 of Ernst & Young Office Ltd. to serve as the Company external auditor with the proposal of audit fee at Baht 1,110,000.

The Audit Committee has considered and deemed that the Company's financial reports were complied with the general accepted accounting principle with sufficient information disclosure. The internal control system was efficient and in compliance with the relevant laws and regulations. Moreover, corrections to any audit issues as stating in audit reports from internal and external auditors have been properly followed up and done to ensure the outcome of good corporate governance.



Mr. Wanchai Ampungard  
Chairman of the audit committee

## General Information

Lohakit Metal Public Company Limited (the Company) and the subsidiaries including Auto Metal Company Limited and Alternative Stainless Company Limited (formerly D-Stainless Company Limited) and Mory Lohakit (Thailand) Company Limited engage in procuring stainless steel coil products where the Supply Chain Management has been adopted to manage the raw material, the procurement, the distribution and the services provided to the customers.

<b>Head office</b>	: 66/1 Moo 6 Soi Suksawas 76, Suksawas Rd., Bangjak, Prapadang, Samutprakarn 10130, Telephone 0-24630-0158 Facsimile 0-2463-7299 Homepage <a href="http://www.lohakit.co.th">www.lohakit.co.th</a> , The registration number 0107548000315
<b>The Company branch</b>	: 889 Thai CC Tower, room no 167-169, 16 <sup>th</sup> floor, South Sathorn Road, Yannawa, Sathorn, Bangkok 10120, Telephone 0-2673-9559 Facsimile 0-2673-9577-8
<b>Auto Metal Company Limited (the subsidiary)</b>	: 700/650, Moo 1, Panthong subdistrict, Panthong district, Chonburi, Telephone 0-3821-0270-77 Facsimile 0-3821-0268-9
<b>D-Stainless Company Limited (the subsidiary)</b>	: 66/1 Moo 6, Soi Suksawas 76, Suksawas Road, Bangjak, Prapadang, Samutprakarn 10130, Telephone 0-2463-0158 Facsimile 0-2463-7299
<b>Mory Lohakit (Thailand) Company Limited</b>	: 889 Thai CC Tower, Room No. 167-169 16 <sup>th</sup> floor, South Sathorn Road, Yannawa, Sathorn, Bangkok 10120 Telephone 0-2673-9559 Facsimile 0-2673-9577-8
<b>Registrar</b>	: Thailand Securities Depository Company Limited The Stock Exchange of Thailand building, 62 Ratchadapisek Road, Klongtoey, Klongtoey, Bangkok 10110, Telephone 0-2229-2800, Facsimile 0-2654-5599
<b>Accounting Auditor</b>	: Ernst & Young Office Limited 33 <sup>th</sup> floor, Lake Ratchada building, 193/136-137, Ratchadapisek Road, Klongtoey, Bangkok 10110, Telephone 0-2264-0777, Facsimile 0-2264-0789-90
<b>Legal Advisor</b>	: Seri, Manop and Doyle Company Limited 21 Suthisarn-Ratchadapisek Road, Samsennok, Huaykwang, Bangkok 10320, Telephone 0-2693-2036, Facsimile 0-2693-4189
<b>Invester Relation officer</b>	: 889 Thai CC Tower, room no 167-169, 16 <sup>th</sup> floor, South Sathorn Road, Yannawa, Sathorn, Bangkok 10120, Telephone 0-2673-9559 Ext. 219 Facsimile 0-2673-9577-8

<sup>1</sup> Supply Chain Management is cooperation among (1) Suppliers who are manufacturers and distributors of raw material; (2) the Company and its subsidiaries who are procurer, distributor and servicer and (3) customers in various industries of which its benefits include production cost reduction, inventory management and customers cost reduction.

## Financial Highlight

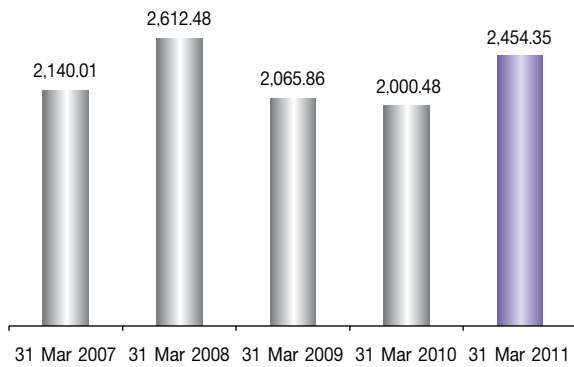
### Performance at a Glance

Financial summary of Lohakit Metal Public Company Limited and the subsidiaries :

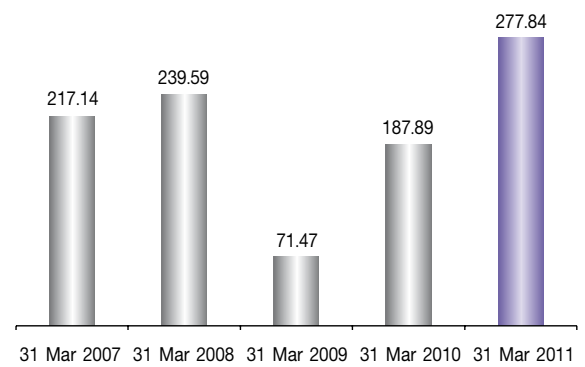
	For the year ended 31 <sup>st</sup> March				
	2007	2008	2009	2010	2011
<b>Profit and loss statement (Baht millions)</b>					
Total revenue	2,140.01	2,612.48	2,065.87	2,000.48	2,454.35
Revenue from the sales of good and services	2,120.04	2,571.01	2,036.96	1,970.41	2,415.00
Gross profit	217.14	239.59	71.47	187.89	277.84
Net profit provided by operating activities	152.37	174.44	(8.98)	122.72	196.65
Net profit	83.96	80.36	(52.93)	101.27	139.11
<b>Balance Sheet (Baht millions)</b>					
Total assets	1,639.82	1,602.02	1,203.03	1,386.20	1,493.00
Total liabilities	1,080.16	861.43	550.56	632.46	582.22
Total shareholders' equity	559.66	740.59	652.47	753.74	910.78
<b>Per ordinary share (Baht), at Par 1.00</b>					
Book Value per share (Baht)	2.33	2.31	2.04	2.36	2.85
Earning per share (Baht)	0.35	0.31	(0.17)	0.32	0.43
Dividend per share (Baht)	0.38	0.14	0.04	0.15	0.22
<b>Ratio Analysis</b>					
Gross profit margin (%)	10.24	9.32	3.51	9.54	11.50
Net profit margin (%)	3.92	3.08	-2.56	5.06	5.67
Return on equity (%)	16.22	12.36	-7.60	14.40	16.71
Return on Assets (%)	5.34	4.96	-3.77	7.82	9.66
Liquidity ratio (times)	1.29	1.47	1.49	1.63	1.98
Debt to equity ratio (times)	1.93	1.16	0.84	0.84	0.64

**Consolidated Results of Fiscal years as of March 31, 2007 - March 31, 2011**

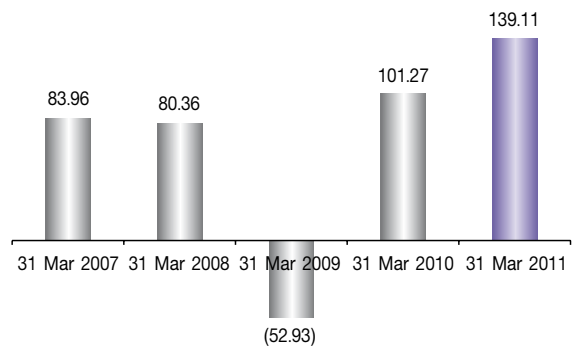
**Total Revenue (Baht Millions)**



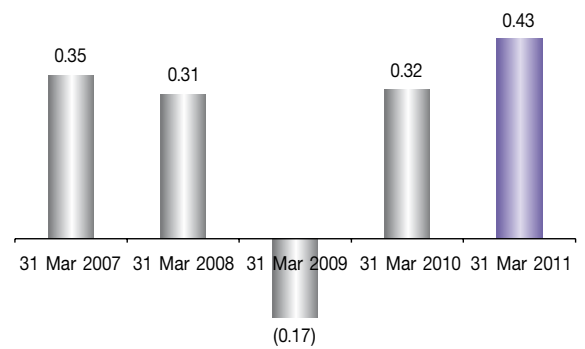
**Gross Profit (Baht Millions)**



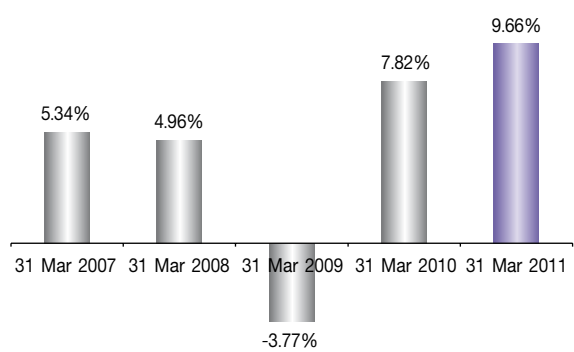
**Net Profit (loss) (Baht Millions)**



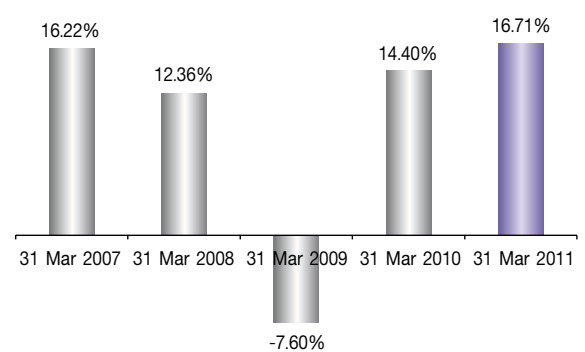
**Earning per share (Baht)**



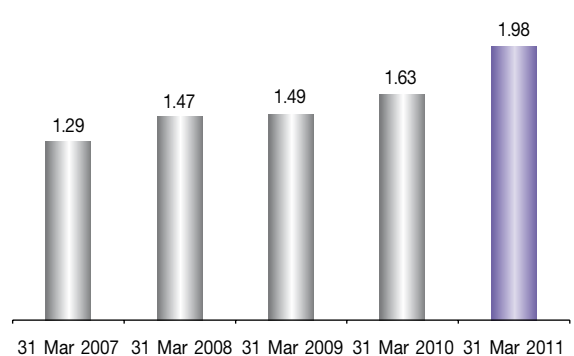
**Return on assets (%)**



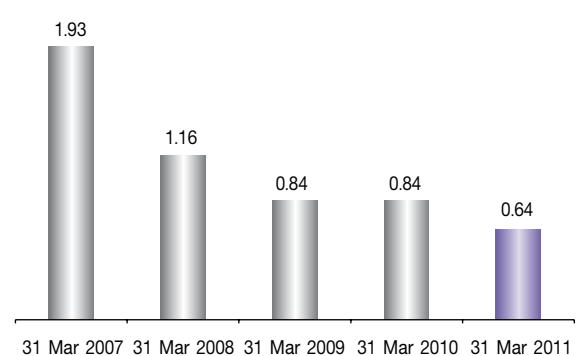
**Return on equity (%)**



**Liquidity Ratio (times)**



**Debt to equity ratio (times)**





## Nature of Business

### Background

Lohakit Metal Public Company Limited (“the Company”) (previously known as Lohakit Metal Service Center Company Limited before changing to Lohakit Steel Company Limited on January 2, 2003) was founded on April 12, 1989 with the register capital of Baht 20 million under the former name of Lohakit Metal Service Center Company Limited to engage in stainless products trading business. The founded shareholder was the Akarapongpisak family who accumulately held 80% of the Company’s shares.

Subsequently on May 22, 1989, the Company entered into a joint venture with Tomen Corporation Company Limited, an affiliate of Tomen Group<sup>2</sup> which engages in steel trading business. The Company increased its capital to Baht 39.22 million where Tomen Corporation Company then held 49% of the Company’s shares. The shareholding percentage of the Akarapongpisak family was diluted to 40.80%. The proceed of such capital increase was used to acquire assets such as land, machines and inventory from Lohakit Shearing Company Limited.<sup>3</sup>, the company whose major shareholder was also the Akarapongpisak family. Subsequently, Lohakit Shearing Company Limited. was dissolved and liquidated in 1992.

In August 2002, the Company increased its capital to Baht 117.22 million then on August 30, 2002, Tomen Corporation Company Limited sold all of its shares to the Akarapongpisak family and Mr. Nucha Wattanopas owing to its termination of steel business worldwide. Consequently, the major shareholders of the Company then became the Akarapongpisak family holding 80% and Mr. Nucha Wattanopas holding 20%. On January 2, 2003, the Company changed its name to Lohakit Steel Company Limited.

In January 2005, the Company increased its capital to Baht 240 million. Subsequently on April 29, 2005, the Company converted its status to a public company and changed its name to Lohakit Metal Public Company Limited.

In January 2008, the Company increased its capital to Baht 320 million where 80 million shares were offered to public through the Stock Exchange of Thailand.

As of July 21, 2010 the Akrapongpisak family who is the Company’s major shareholder held 62.29 of the Company’s shares.

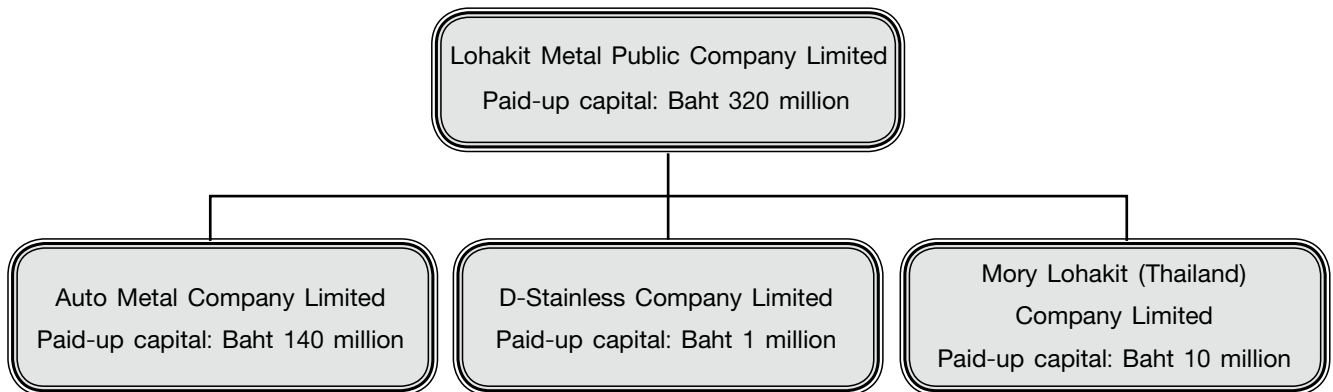
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<sup>1</sup> Tomen Group includes Tomen Enterprises (Thailand) Co., Ltd. (previously known as Lakana Visahakit Co., Ltd.) and Tomen Corporation Co., Ltd. (previously known as Toyomenga Kysa Limited). The Tomen group is a multinational company listed on the stock exchange of Japan with the head office in Japan and 800 branches worldwide. The Tomen group is one of the leaders in information system, telecommunication, chemicals, plastic and garment.

<sup>2</sup> Lohakit Shearing Company Limited. was founded in 1981 by the Akrapongpitak family to engage in dustributing of stainless and other steel. Lohakit Shearing Co., Ltd. had transferred most of its assets to Lohakit Metal Public Company Limited in 1989 before it was dissolved on September 4, 1992 and was liquidated on November 27, 1992

**Business Overview**

The group of Lohakit Metal Public Company Limited as of March 31, 2011 can be shown as follows:



The Company and the subsidiaries engage in procuring stainless coil products where the Supply Chain Management has been adopted to manage the raw material, the procurement, the distribution and the services provided to the customers. Supply Chain Management is cooperation among (1) Suppliers who are manufacturers and distributors of raw material; (2) the Company and its subsidiaries who are procurer, distributor and servicer and (3) customers in various industries. The Company and the subsidiaries act as a mediator who gathers information of raw material manufacturers and distributors and information of customers's demand then uses such information to manage raw material sourcing, to plan production processing and to deliver products to the customers. The Supply Chain Management system allows the Company and the subsidiaries to be able to order the adequate quantity of raw materials, to manufacture products that match the customers's requirements and to deliver the products in time. Such system has enhanced the Company's efficiency in various aspects including (a) production cost saving as the system allows the Company and its subsidiaries to order raw materials in the quantity that they requires to use where the Company can plan its on-time delivery raw material purchasing without any raw material shortage probles, (b) maintaining the appropriate level of inventory that is sufficient to be delivered to the customers, (c) cost saving for the customers where the on-time delivery service can help the customers reduce the expense of holding more inventory than the amount required. The Supply Chain Management of the Company has created the maximum benefits for every party including suppliers, the Company and the subsidiaries and the customers. The Company and its subsidiarries are able to manage their costs and inventory efficiently which shall create the good relationship and negotiation power with the suppliers. As a result, the selling prices of the Company and its subsidiaries are appropriate which shall lead to the expansion of the customer base.

The businesses that the Company and its subsidiaries undertake include:

- (1) Procuring, processing and distributing stainless steel sheets and coils.
- (2) Manufacturing and distributing stainless steel pipe such as stainless steel tube for decoration or automotive industry.
- (3) Processing and distributing galvanized steel and electro-galvanized steel sheets and coils.
- (4) Providing stainless steel fabrication services as per the customer's request.

The 2 subsidiaries and 1 relates of the Company and thare as follows:

- (a) Auto Metal Company Limited engages in manufacturing and distributing stainless steel pipe for automotive usage including exhaust pipes from car and motorcycle. Auto Metal Company Limited was founded on October 14, 2004 with the paid-up capital of Baht 40 million. Currently Auto Metal Company Limited has a

paid-up capital of Baht 140 million and the Company holds 59.99% of the paid-up capital of Auto Metal Company Limited. The company sold 40.00% of its investment in Auto Metal Company Limited to Mory Industries, Inc. from Japan, on October 1, 2010. As a result, the Company has an investment in the Auto Metal Company Limited's stocks in the proportion of 59.99% of the total share ownership.

- (b) Alternative Stainless Company Limited distributes stainless products of specific grades. D-Stainless Company Limited was founded on June 2, 2005 with the paid-up capital of Baht 1 million where the Company holds 99.93% of D-stainless Company Limited.
- (c) Mory Lohakit (Thailand) Company Limited was found on April 1, 2009 with 49% shareholding by the company and another 49% shareholding by Mory Industries, Inc. as major shareholders. The main business is the sale and marketing agent in local and abroad to the shareholders and group business.

The Company and its subsidiaries have 2 factories including

- (1) The Company's factory: situated on 24 Rais of land on Suksawat Road, Prapradang district, Samutprakarn. The factory area includes office building, processing factory, pipe and tube production factory, raw material warehouse, finished good warehouse, maintenance building, oil storage building and wooden package storage.
- (2) The factory of Auto Metal Company Limited: situated on 7 Rais 1 Ngan and 53 Square Wah of Amata Nakorn Industrial Estate in Chonburi. The factory area includes office building, pipe and tube production factory, raw material warehouse, finished good warehouse and distribution center.

In 2011, a subsidiary company (Auto Metal Company Limited) buy an additional piece of land adjacent to the existing land. This is in order to support the growth of capacities in Automotive industry. The size of additional land is 1 Rai 3 Ngan 92 Sqr wah.

The products and services of the Company and its subsidiaries include:

- (1) Cold-rolled stainless steel sheets and coils of various sizes according to the customer's request. The products are used in construction, food, electrical appliance and automotive industries.
- (2) Round and rectangular stainless steel tubes of various sizes according to the customer's request. This group of products is used in automotive, food, petrochemical and construction industries.
- (3) Stainless steel pipe for automotive usage such as exhaust pipes for car and motorcycle which are the products of Auto Metal Company Limited, the subsidiary, used for the manufacturing of car and motorcycle.
- (4) Specific graded stainless steel which is the product of D-Stainless Company Limited, the subsidiary. These groups of products are imported from Japanese manufacturer, Nippon Metal Industry Co., Ltd. These special grade stainless steels have specific mixture of which their corrosion resistances are in the same level as 304 stainless steel. With those qualifications, the special grade products can be used in various industries such as cloth lines or stair lines, computer parts, food processing machine, household appliances, etc.
- (5) Galvanized steel sheets and coils of various sizes as per the customer's request where these products are used in electrical appliance and construction industries.
- (6) Electro-Galvanized steel sheets and coils of various sizes as per the customer's request where these products are used in electrical appliance, construction and automotive industries.
- (7) The stainless steel fabrication as per the customer's request.

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<sup>3</sup> 304 stainless steel's major qualifications of nonmagnetic and corrosion resistance has made them be popular to be used in various industries including construction, food and automotive. The major components of 304 stainless steel include (1) 18% of Chromium to enhance their corrosion resistance and (2) 8% of nickel to enhance the ability to be processed. As nickel's price is high, the price of 304 stainless steel with nickel component is also high.

<sup>4</sup> The special grade stainless steel or D-Stainless is a stainless steel containing Manganese, Copper, Chromium and Nickel. Presently, the Nickel infused percentages are ranging from 2 to 5.5, therefore, the price of this product is lower than that of 304 stainless steel. However, the qualifications and the corrosion resistance are still maintained at the same level as 304 stainless steel. Consequently, this product can be used as a substitutional product to 304 stainless steel.

## Revenue Structure

The revenue structure of the Company and its subsidiaries during 2009 - 2011 can be shown as follows:

Revenue	Operated by	The Company's shareholding percentage (%)	2009 (01/04/08 - 31/03/09)		2010 (01/04/09 - 31/03/10)		2011 (01/04/10 - 31/03/11)	
			Million Baht	%	Millio Baht	%	Million Baht	%
<b>By Type of Revenue</b>								
1. Revenue from sales								
1.1 Cold-rolled stainless steel sheet and coil of grades 430, 304, 300, 316, 409, 436 and others	The Company	-	768.56	37.20	793.66	39.67	967.15	39.41
1.2 Special grade stainless steel sheet and coil	D-Stainless Co., Ltd. The Company	99.93	253.71	12.28	204.48	10.22	230.56	9.39
1.3 Special grade stainless steel - HDD project	The Company	-	268.48	13.00	109.12	5.45	73.62	3.00
1.4 Stainless steel tube (round and rectangular) of grades 304, 316L	The Company	-	180.89	8.75	192.78	9.64	217.41	8.86
1.5 Special grade stainless steel tube	D-Stainless Co., Ltd. The Company	99.93	59.47	2.88	47.65	2.38	33.17	1.35
1.6 Stainless steel pipe for exhaust pipes for car and motorcycle of grades 409 and 436	Auto Metal Co., Ltd. The Company	59.99 *	246.83	11.95	394.12	19.70	574.77	23.42
1.7 Galvanized steel coil and sheet	The Company	-	166.41	8.06	150.23	7.51	219.50	8.94
1.8 Electro-glvvanized steel coil and sheet	The Company	-	77.35	3.74	68.82	3.44	91.68	3.74
2. Revenue from service	The Company	-	15.26	0.74	9.54	0.48	7.14	0.29
<b>Total sales and service</b>	<b>The Company and its subsidiaries</b>	<b>59.99 * and 99.93</b>	<b>2,036.96</b>	<b>98.60</b>	<b>1,970.41</b>	<b>98.50</b>	<b>2,415.00</b>	<b>98.40</b>
3. Gain from exchange rate	The Company and its subsidiaries	59.99 * and 99.93	0.00	0.00	3.78	0.19	2.36	0.10
4. Other Income**	The Company and its subsidiaries	59.99 * and 99.93	28.90	1.40	26.29	1.31	36.99	1.50
<b>Total Revenue</b>	<b>The Company and its subsidiaries</b>	<b>59.99 * and 99.93</b>	<b>2,065.86</b>	<b>100.00</b>	<b>2,000.48</b>	<b>100.00</b>	<b>2,454.35</b>	<b>100.00</b>
<b>By Source of Revenue</b>								
(a) Revenue from domestic sales	The Company and its subsidiaries	59.99 * and 99.93	1,950.79	95.77	1,907.59	96.51	2,349.92	97.31
(b) Revenue from international sales	The Company and its subsidiaries	59.99 * and 99.93	86.17	4.23	62.82	3.19	65.08	2.69
<b>Total Revenue</b>	<b>The Company and its subsidiaries</b>	<b>59.99 * and 99.93</b>	<b>2,036.96</b>	<b>100.00</b>	<b>1,970.41</b>	<b>100.00</b>	<b>2,415.00</b>	<b>100.00</b>

Remark : \* The Company held 59.99% percent in shares after selling of 40% of shares of a subsidiary company on Oct 1, 2010.

\*\* Other revenues include interest income and revenue from selling scrap, gain from sale of investment.

Considering the revenue structure of the company and its subsidiaries, in present accounting year, the company has sales from stainless steel grade 430,304,300,316,409,436 and others of 39.41 percent of total revenue closer to the previous year of 39.67 percent of total revenue. The majority of sale in this group came from stainless grade 304 which its volume and price increases from previous year, the same as increase in volume and price of special stainless steel. However, the percentage in sale of special grade stainless steel decrease from 12.28 and 10.22 percents of total revenue in 2009 and 2010 to 9.36 percents in 2011 due to the effect of high growth from sales of other industries. In part of stainless steel tube, sale increase but decrease in percentage from 9.64 percent in 2010 to 8.86 percent in 2011. In respect of special grade stainless tube, the percentage decrease to 1.35 percent in 2011 from 2.38 percent in 2010 from the effect of the substitute by demand of other grades tube.

In part of revenue of special grade stainless steel for HDD project, beside the effect of market price, manufacturer of HDD have been changing their material and partly relocating the production to the other countries. This matter impact the decreased in percentage from 5.45 percent to 3.00 percent of total revenue.

Revenue from sales in vehicle pipes of cars and motorcycle share in port by 23.42 percent in 2011, increased from 19.70 and 11.95 percents in 2010 and 2009. The major sales came from Auto Metal Co.,Ltd. which gain its sales from the recovery of automotive industry. Apart from that, the marketing of exhausted quality pipe is the key factor to eat up the market share.

Galvanized steel (GI) and Electro-galvanized steel (EG) coil and sheets has their constant growth in sales in present accounting year with sharing 8.94 percent and 3.74 percent respectively. Galvanized steel had its higher proportion in sale than previous year due to the expansion of electrical appliance and construction.

Revenue of the company and its subsidiary mostly came from domestic sales. By accounting year 2009 2010 and 2011, company and its subsidiary had its percentage to total revenue by 95.77 percent and 96.86 percent and 97.35 percent respectively. However, the company and its subsidiary have policy in expanding to oversea market to increase export revenue especially exhausted pipe as future sale channel.

## **Business Goals**

The Company and its subsidiaries share a business goal to become the leader in stainless steel processing who have full services including product procurement, stainless steel processing by slitting into required sizes or coil, polishing, punching and stamping as well as manufacturing and distributing stainless steel pipes/tubes and special grade stainless steel distribution to customers from various industries. The Company and the subsidiaries share the goal to expand the customer base to the multinational companies whose production hubs are in Thailand including major manufacturer of electrical appliances industry, automotive industry, food processing industry and electronic industry. The Company and the subsidiaries also planned to expand the distribution channel of the special grade stainless steel abroad. In addition, the Company and the subsidiaries realized the importance of the customer's services. The Company's goals are to manufacture internationally accepted quality products, to deliver products on-time and to reduce the purchasing lead time of the customers which can help save cost of inventory keeping for the customers. The Company also has a goal to develop the products to serve the customer's demands.

## Risk Factors

### 1. Risk from inflation

Expecting that the key economic risks associated with headline food and fuel price are higher. Along with that, there were also the unusual factors like natural disasters harm the agricultural products or the violence in middle east and north Africa which their effect speed up the oil price and make the inflation situation become severe than the former projection. These risks could possibly shrink the global and Thai economic by returning to slowing down or even in stagflation or in weak economic but high inflation.

Apart from above mentioned, there was confusion in political factor and the coming election lead the risk in discontinuing in government and macro policies and finally, delaying to mega projects.

However, the company closely monitors the economic development & risk factors, focus to diversify business to vary industries and looking for new offshore market. In addition, a subsidiary company (Alternative Stainless Co.,Ltd.) is able to proposing alternative stainless grade which can substitute in quality and price as option to market in case current stainless price become costly.

### 2. Risk from foreign exchange rate

In 2010, the movement of Baht currency was closely monitored due to its high appreciation in value especially during the second half year where Baht move stronger than the other Asian currencies. The Baht currency have been influenced by at least three environmental supporting factors like weaken of US dollar in relative to Asian currencies, the amount of US dollar sold by exporters more than bough by importers, fund inflow from aboard due to different in interest rates between Thai and US. Company has customers in vehicle, electrical appliance in high portion where those customers are the exporters and impacted by stronger Baht currencies.

However, the stronger Baht move in the same direction with other Asian countries and still weaken than Japanese Yen currency which used the Japanese manufacturer for exporting in vehicle and electrical appliance. As such, the impacts of currency to exporting situation remained in limit and still in ability to manage risks and competition.

### 3. Risk from interest rate

Risk of inflation lag the interest rate in up-trend situation in 2010 and continue in 2011 and expect to reach highest level by the end of 2011. The interest rate will gradually increase through interest rate policy in order to control the economic bubble and instability in medium term. This will lead to stronger baht beside the effect from liquidity in global financial system.

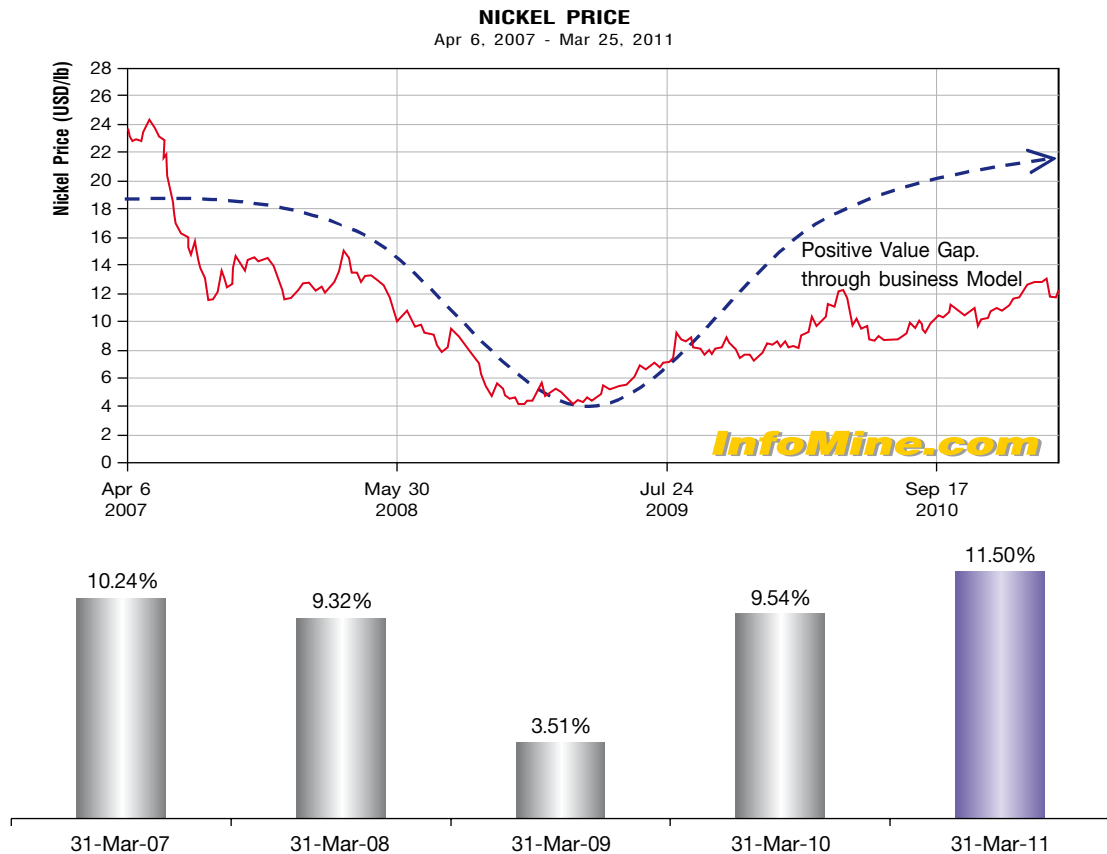
As of 31 Mar 2011, the Company and its subsidiary had outstanding bank overdraft and short term loan balance amounting to Baht 323.19 million and Baht 307.05 million respectively. Therefore, if interest rates move up in the future, it may negatively impact the ability in paying interest and weaken the operating performance of the Company and its subsidiary.

However, the Company also manages the financing costs through choosing the financial institution who offer the low interest. In addition, the Company and its subsidiary also focus over efficient inventory management to reduce both the inventory and financial burden.

**4. Risk from the price volatility of cold rolled stainless steel**

Cold rolled stainless steel is a major raw material of the Company. Its price changes according to the global demand and supply. The global price is volatile because the prices of its components including chromium, nickel and carbon are volatile especially the price of nickel which is a major component.

However, the company closely monitors the price of the raw materials in order to assess the situation and predict the trend for proper managing the purchase and inventory and also quickly response to the volatility of raw material market prices in order to reduce the significant effects over the Company’s operating performance.



**5. Risk from reliance on the producers and distributors of cold rolled stainless steel coil**

The cold rolled stainless steel coil is the company’s major raw material. During the accounting years of 2010 and 2011, the company ordered the cold rolled stainless steel coil from major local producers, Thainox Stainless PLC, which accounted for 34.38% and 34.48% of the total purchasing amount. Since Thainox Stainless PLC, is the only local producers of the cold rolled stainless steel and the transportation from abroad is time-consuming, there is a risk that the company may face a raw material shortage if such major local producers fail to deliver the raw materials on schedule and the company cannot acquire the raw materials from any other sources to fulfill the customer demand.

However, through the supply chain management system, the company has installed a plan to pre-order the cold rolled stainless steel coil from such producer. Moreover, the company never had the due payable unpaid which has resulted in a strong relationship with such producer. Until now, there has never been a case of material shortage. Therefore, the company is confident that its operation will not be affected by such problem.

**6. Risk from reliance on producer of special grade stainless steel**

Alternative Stainless Co.,Ltd. (Formerly D-Stainless Co. Ltd) a subsidiary, is a distributor of special grade stainless steel, which is procured by the Company. Currently, such product is purchased from Nippon Metal Industry Co., Ltd. of Japan, whose sole trading partners are the Company and Alternative Stainless Co., Ltd. During the accounting years of 2010 and 2011, the Company's transaction size with Nippon Metal Industry Co., Ltd. accounted for 20.3% and 14.72% of the total purchase amounts. Therefore, since the company cannot acquire such raw materials from any other sources, there is a risk that the current supplier fails to deliver them on schedule and the company may not be able to fulfill the customers' order.

Until now, the company has Nippon Metal Industry Co., Ltd. as sole trading partner and it is the sole supplier of the special grade stainless steel in Thailand due to superior quality and well acceptance from the customers than sourcing from China and India.

Nevertheless, the company has maintained a strong relationship with such suppliers through collaborations that include co-development of the special grade stainless steel with low nickel content, under the brand D-Stainless, and showcases both in local and international exhibitions.

**7. Risk from reliance on the producer of the electro-galvanized steel**

Present, the Company purchases the electro-galvanized steel from one supplier only, that is Bangkok Steel Industry Plc. During the accounting years of 2010 and 2011, the purchase of such product accounted for 10.96% and 10.41% of the total purchase amount. The electro galvanized steel is processed according to the sizes demanded by the customers. The Company faces the risk from relying on a single supplier and hence the risk of shortages in case such supplier cannot make a punctual delivery. Since the company cannot acquire such raw materials from any other sources, the company may not be able to fulfill the customers' order. The Company has been purchasing the electro-galvanized steel exclusively from Bangkok Steel Industry Plc. due to its high quality and thus, has enabled the Company to process them into different sizes as per the customer demand.

The Company has a plan to pre-order the electro-galvanized steel and with maintaining a strong relationship with such supplier, the Company has never encountered the problem of shortages.

**8. Risk from relocation of the customers' production in various industries**

The customers of the Company and its subsidiaries are mainly foreign companies whose productions are based in Thailand; these include multinational companies in various industries such as electrical appliance, construction, computing and automobile. During the accounting years of 2010 and 2011, the revenues from domestic sale of the Company and its subsidiaries stood at Baht 1,907.59 million, or 96.81% of the total revenue, and Baht 2,350 million, or 97.31% of the total revenue respectively. Consequently, there is a risk from relocation of the customer's production hub to other countries and that shall affect the revenues of the Company and its subsidiaries.

However, considering the number of applications for promotional investment support, as publicized, promotional investment amount in 2011 will tentatively more than million Baht 400,000 from the investment amount of million Baht 447,000 in 2010. The promotional industries shall include vehicle, electrical appliance, energy & power, petrochemical. This is due to Thailand's ability to provide the necessary raw materials, labor, infrastructure and transportation. Moreover, the Company and its subsidiaries shall be informed by such



customers and their subsidiaries no less than 1 year in advance if they decide to relocate their production bases; which is a sufficient period to adjust the production plan. The Company and its subsidiaries closely and continuously monitor the investment plans of the customers in various industries so that they can adjust the production plan according to the changes. The Company and its subsidiaries also diversify its business by providing products and service with quality material and qualify process to customers in various industries. This is in order to reduce its dependency on any specific industry. Furthermore, Auto Metal Co., Ltd., a subsidiary, has diversified the risk by providing stainless pipes and exhaust pipes to the auto and motorcycle industries. Alternative-Stainless, another subsidiary and distributor of special grade stainless steel, has the potential to provide products to the electrical appliance, automobile, computer and food industries.

#### **9. Risk from the entry of new competitors**

Currently, there are 2 or 3 local companies that conduct similar business to that of the Company. Furthermore, Auto Metal Co., Ltd., a subsidiary, produces and distributes stainless exhaust pipes for the auto industry that applies the FFX technology machinery from Japan; which is the first and the only to do so in Southeast Asia. Alternative-Stainless, another subsidiary, is Thailand's sole distributor of special grade stainless with low nickel component from Japan. Therefore, the Company and its subsidiaries are faced with the risk from the entry of new competitors, which may have an adverse effect on their sales revenues and market shares.

However, the business of the Company and its subsidiaries are reliant on several factors such as

- (1) Specialized expertise and the long experience in developing quality products that is in accordance with the target customers' demands in various industries, which the Company has with its 18 years of experience in the business
- (2) Personnel with knowledge, expertise and experience in the business
- (3) Continuous strong relationship with the producer, distributor of raw materials and target customers
- (4) Investment in acquiring the land for and the construction of the plant, and in the state-of-the art machinery
- (5) The Company and its subsidiary, Auto Metal Co., Ltd., are currently receiving several incentives from the Board of Investment such as special tax privilege that include waivers on the duty on imported raw materials and the necessary packaging and on the duty on imported machinery.
- (6) The company and its subsidiary are continually receiving the technical support in producing the good quality products and extending the new products to wider the market base. The company's business alliances are Mory Industries Inc. who is the minority shareholder in a subsidiary company.

Such factors have given the Company and its subsidiaries the advantage over any new competitors.

**10. Risk from inventory management**

The Company and its subsidiary have been operating the main business over the full conversion of stainless products. Main business consists of procurement, conversion, production and distribution of stainless products. The major assets are inventories, as of 31 March 2010, the outstanding inventory cost was Baht 463.05 million or accounting for 33.40% of total assets cost. As of 31 March 2011, the outstanding inventory cost was baht 525.20 million or accounting for 35.28% of total assets cost. Due to its sizable elements of working capital, the company and its subsidiary have the risk of inventory turnover which can effect to the liquidity and financial status.

However, The Company and its subsidiary have been continually developing and adopting the supply chain management in controlling the proper procurement of raw material, do the production and delivering at the customer requirement and schedule. The system helps the Company and its subsidiary in managing costs of doing business and effective inventory management. Both inventory turnover rate of finish goods as of 31 March 2010 and 2011 were at 43 days and 34 days respectively. As a result of the effective inventory management, the Company and its subsidiary never faced with liquidity problems and have the proper material cost.

## Capital Structure

### The Company's Securities

As of July 2, 2010 the Company's registered and paid-up capital stood at Baht 320 million divided into 320,000,000 ordinary shares with a par value of Baht 1 per share.

### Shareholders

The shareholding structure as of July 2, 2010

Names	As of July 2, 2010	
	Number of shares	Percentage (%)
1. Mr. Kasem Akarapongpisak and Mrs. Pranee Sae Koo*	120,382,400	37.62
2. Mr. Prasarn Akarapongpisak	60,046,100	18.76
3. Mr. Prasert Akarapongpisak	36,068,500	11.27
4. Mr. Pongthep Akarapongpisak	6,900,000	2.16
5. Ms. Wassana Akarapongpisak	6,000,020	1.88
6. Mrs. Nantana Akarapongpisak	110,000	0.03
7. Mr. Vittawat Akarapongpisak	20,200	0.01
<b>The Akarapongpisak Family</b>	<b>199,327,200</b>	<b>62.29</b>
8. Mr. Nucha Wattanopas	24,190,900	7.56
9. Semico Securities Plc.	6,500,000	2.03
10. Mr. Pakkawa Pattapong	4,450,000	1.39
<b>Total</b>	<b>234,468,100</b>	<b>73.27</b>

Remark : \* Mr. Kasem Akarapongpisak is a husband of Mrs. Pranee Sae Koo who is related according to Clause 258 of Securities and Stock Exchange Act B.E. 2535; therefore their shareholding percentages were combined together. Mr. Kasem Akarapongpisak holds 90,182,180 shares and Mrs. Pranee Sae Koo holds 200 shares.

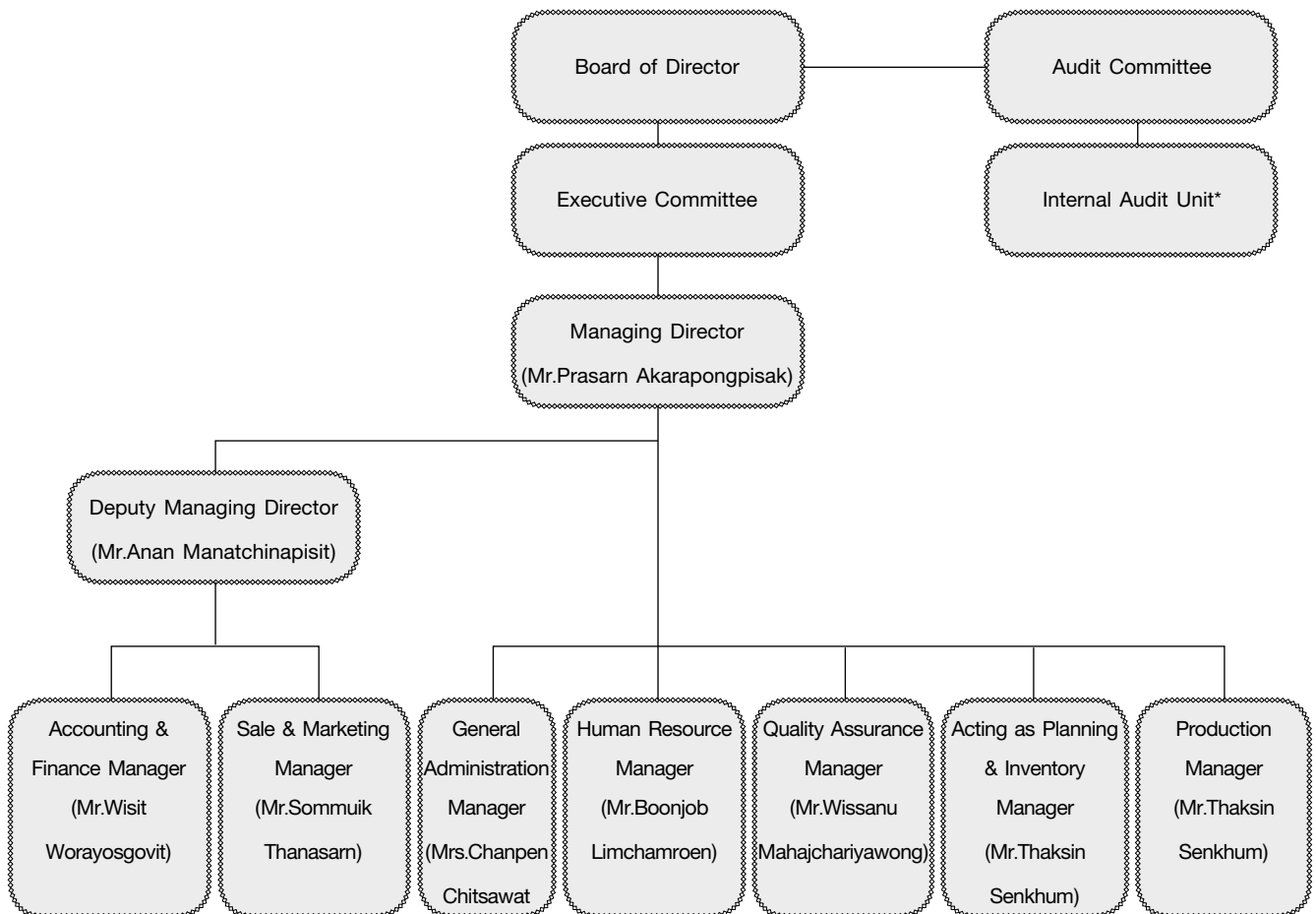
### Dividend Policy

The Company's dividend policy is to pay out not less than 40% of the net profit after income tax. However, the Company may payout less than the above ratio in case that the Company needs to use such net profit to expand its business expansion.

Auto Metal Company Limited and Alternative Stainless Company Limited, the Company's two subsidiaries, also have the dividend policy to payout not less than 40% of their net profits. However, the subsidiaries may pay dividends of less than the above ratio in case that the subsidiaries need such net profits for their business expansions. Meanwhile, the long-term loan contract that Auto Metal Company Limited had entered into with one of the commercial bank has specified that Auto Metal Company Limited shall not pay dividend unless the lender sees that such dividend payment will not affect the repayment ability of Auto Metal Company Limited.

# Management

## Management Structure



\* Internal Auditor is A.M.T. Services Office Limited

Details of the Company's board of directors, executive directors and audit committee are as follows:

(a) The board of directors consists of 7 members including

- |    |                            |   |
|----|----------------------------|---|
| 1. | Mr. Wanchai Umpungart      | Chairman of the board, Independent director and Chairman of the audit committee |
| 2. | Mr. Prasarn Akarapongpisak | Director  |
| 3. | Mr. Anan Manatchinapisit   | Director  |
| 4. | Mr. Somnuik Thanasarn      | Director  |
| 5. | Mr. Anurut Vongvanij       | Director  |
| 6. | Mr. Teera Na Wangkanai     | Director, independent director and member of the audit committee                |
| 7. | Mr. Lert Nittheranont      | Director, independent director and member of the audit committee                |

Where Mr. Anan Manatchinapisit served as the Company's secretary.

The Authorised Director

The Company's authorized directors include Mr. Prasarn Akarapongpisak signed with Mr. Somnuik Thanasarn and Mr. Anan Manatchinapisit with the Company's seal.

Scope of authorities, duties and responsibilities of the board of directors

The board of directors has the authorities, duties and responsibilities to manage the Company to be in compliance with laws, the Company's objectives, the articles of association and the legitimate shareholder's resolutions with honest and care for the benefits of the Company. The major duties and responsibilities can be summarized as follows:

- (1) To convene the annual ordinary general shareholder meeting within 4 months after the end of the accounting period.
- (2) To convene the board of director's meeting at least every 3 month.
- (3) To prepare a balance sheet and a profit and loss statement of the Company as of the end of the accounting period and to propose such reports which are audited by the external auditor to the shareholder's meeting for their consideration and approval.
- (4) The board of directors shall authorize one or many of director(s) or any other person to perform the duties on behalf of the board of directors under the board of directors's supervision or delegate such persons to have authorities and over the period the board of directors deems appropriate where the board of directors can revoke or alter such delegation of authorities as they deem appropriate.

However, the board of directors may delegate their authorities to the management to perform the duties as per the scope of the duties of the management where such delegation must not incur the authorities for the management to consider and approve the transactions that might lead to any conflicts of interest between the management or their related persons and the Company and its subsidiaries except for the transactions that are complied with the policies or procedures considered and approved by the board of directors.

- (5) To set goals, procedures, policies, plans and budgets of the Company, to govern the administration of the management to be in compliance with the specified policies except for the transactions which the board of directors must have the approval from the shareholder's meeting including the transactions required by laws to have the shareholder's approval such as the capital increase, the capital decrease, the issuance of debentures, the disposition or transfer of the part or the whole of the Company to others, the acquisition of the part or the whole of others, the revision of the memorandum of association, etc.

In addition, the board of directors shall have the duty and responsibility to govern the Company to comply with the laws related to the securities and the stock exchange including the undertaking of the connected transaction and the acquisition and disposition of major assets as per the rules and regulations of the stock exchange of Thailand and other relevant laws.

- (6) To consider the organization structure, to nominate the management and other committee as appropriate.
- (7) To evaluate the operation and ensure that the plan and budget are followed.
- (8) The directors must not operate or compete in the same business as the Company, or be a partner in an ordinary partnership, or be a unlimited partner in a partnership limited, or be a director of a private company and other companies that engage in the same business as and compete with the Company unless the directors have disclosed such facts to the shareholder's meeting before the nomination.
- (9) The directors must report to the Company promptly in case that they have any direct or indirect conflict of interest with any of the Company's contracts or in case of the changes in their shareholding/debenture holding in the Company or its affiliates.

- (b) The Executive Committee consist 3 members including:
- |    |                            |                    |
|----|----------------------------|--------------------|
| 1. | Mr. Prasarn Akarapongpisak | Executive Chairman |
| 2. | Mr. Somnuik Thanasarn      | Executive Director |
| 3. | Mr. Anan Manatchinapisit   | Executive Director |

- (c) The delegation of authorities from the board of directors

The board of directors's meeting No. 1/2007 dated February 21, 2007 which the independent directors and the audit committee were present had considered and approved the scope of authorities, duties and responsibilities of the Executive Committee as follows:

Scope of Authorities, duties and responsibilities of the Executive Committee

The Executive Committee have the authorities, duties and responsibilities to manage the normal business operation and administration of the Company, to set policies, business plan, budget, organization structure and administrative authorities of the Company in accordance with the economic condition to propose for the consideration and approval of the board of directors and to review and evaluate the Company's operation to follow the business plan. The authorities, duties and responsibilities of the Executive Committee are as follows:

- (1) To consider and allocate the annual budget as proposed by the management before proposing for consideration and approval of the board of directors as well as to consider and approve the alteration and increase of the annual budget during the period where no urgent board of director's meeting is convened and to report such matter to the next board of director's meeting.
- (2) To approve the normal business transaction of not exceeding Baht 200 million per transaction and not exceeding Baht 600 million per month.
- (3) To approve the investment expenditure (including the maintenance of machine and equipment) that is not included in the annual budget in the amount not exceeding Baht 10 million.
- (4) To approve the major capital expenditure that is included in the annual budget approved by the board of directors or the one which its concept is approved by the board of directors.
- (5) To be the advisor of the management with regard to the policies in finance, marketing, human resource and other operations.
- (6) To allocate the bonus approved by the board of directors to the employees of the Company.
- (7) To operate the Company's businesses.

After the Executive Committee has approved any of the above transactions, such transactions shall be report to the board of directors's meeting.

However, the authorities of the Executive Committee shall not include the approval of any transaction that may lead to a conflict of interest between the Executive Committee or their related parties and the Company or the subsidiaries as per the rules and regulations of the Stock Exchange of Thailand. Such connected transactions shall be proposed to the board of director's meeting and/or the shareholder's meeting for their consideration and approval in accordance to the article of association or the relevant laws except the approval of the normal business transactions as per the procedure clearly set by the board of directors.

The board of directors's meeting No. 4/2007 dated August 15, 2007 which the independent directors and the audit committee were present had considered and set the scope of authorities, duties and responsibilities of the Managing Director as follows:

Scope of Authorities, Duties and Responsibilities of the Managing Director

- (1) To govern and manage the day-to-day operation and administration of the Company.
- (2) To perform and operate the Company as per the policies, business plans and budget approved by the board of directors and/or the Executive Committee.
- (3) To approve the normal business transaction in the amount of not exceeding Baht 100 million per transaction or not exceeding Baht 250 million per month.
- (4) To approve the investment expenditure (including the maintenance of machine and equipment) that is not included in the annual budget in the amount not exceeding Baht 5 million.
- (5) To be authorised to manage the Company under the objectives, article of association, policies, procedures, regulations, orders and/or the resolutions of the shareholders, the board of directors and the Executive Committee.

However, the authorities of the Managing Director shall not include the approval of any transaction that may lead to a conflict of interest between the Managing Director or his related parties and the Company or the subsidiaries as per the rules and regulations of the Stock Exchange of Thailand. Such connected transactions shall be proposed to the board of director's meeting and/or the shareholder's meeting for their consideration and approval in accordance with the article of association or the relevant laws except the approval of the normal business transactions as per the procedure clearly set by the board of directors.

(d) The audit committee consists of 3 members including:

- |    |                        |                                 |
|----|------------------------|---------------------------------|
| 1. | Mr. Wanchai Umpungart  | Chairman of the audit committee |
| 2. | Mr. Teera Na Wangkanai | Member of the audit committee   |
| 3. | Mr. Lert Nitheranont   | Member of the audit committee   |

Where Ms. Somanas Pengkla serves as the secretary of the audit committee.

The office period of the audit committee

Chairman of the audit committee	3 Years
Member of the audit committee	3 Years

After the end of the office period, chairman and member(s) of the audit committee can be re-elected to serve the positions.

Scope of Authorities, Duties and Responsibilities of the audit committee

- (1) To review and ensure that the Company's financial reports are accurate and sufficiently disclosed where the audit committee shall cooperate with the external auditor and the management who is responsible for the preparation of the quarter and annual financial reports. The audit committee may request the external auditor to review or audit any transactions as appropriate and necessary.

- (2) To review and ensure that the Company's internal control system and internal audit system are appropriate and efficient, independent in auditing. To give the resolution in selecting, rotating and dismissing the internal audit chief or the audit organization that responsible for internal audit.
- (3) To review and ensure that the Company's operation is complied with the Securities and Stock Exchange laws, the rules and regulations of the Stock Exchange and other relevant laws.
- (4) To select and nominate the Company's external auditor and to consider the remuneration of such auditor by taking into consideration their reputation, capability and workload of such office, the experiences of the auditor who is responsible for the Company's accounting audit as well as join the meeting with external auditor at least once a year.
- (5) To consider the disclosure of the Company with regard to the connected transactions or any transactions that may lead to the conflict of interest and to ensure that such disclosure is sufficient and complete.
- (6) To perform any other duties delegated by the board of directors and agreed to do so by the audit committee such as to review the financial and risk management policies, to review the management compliance to the business ethics and to review the major reports required to be disclosed to public i.e. the management discussion and analysis.
- (7) To prepare the report with regard to the activities of the audit committee and disclose such report which is signed by chairman of the audit committee in the Company's annual report. The report must retain at least the following information.
  - (a) The opinion in regarding to the correctness, completeness and reasonably reliable of the financial statements of the Company.
  - (b) The opinions in regarding to the sufficient internal control in placed
  - (c) The opinions in regarding to the company's compliance to the Securities and Stock Exchange laws or the rules and regulations from stock exchange of Thailand and other relevant laws.
  - (d) The opinions for the appropriateness of external auditor
  - (e) The opinions for the connected transactions that may have the conflict of interest.
  - (f) The numbers of audit committee meeting and the attendance of individual audit committee director during the year.
  - (g) The general opinions or notices that audit committee obtain during the audit performing according to the charter.
  - (h) Disclosure under the assignment from board of director of any information deemed necessary to be known by shareholders or investors.
- (8) To report the audit committee's activities and results to the board of directors at least once every quarter.
- (9) To report to the board of director of the finding or suspect of any transactions that may have the significant impacts to the financial status and operating performance of the Company such as conflict of interest, fraud or dishonest practices, unusual or weakness in internal controls, breach against Securities and Stock Exchange laws or the rules and regulations from stock exchange of Thailand and other relevant laws to the normal business of the Company.



(e) The 3 independent directors include

- |    |                        |                      |
|----|------------------------|----------------------|
| 1. | Mr. Wanchai Umpungart  | Independent director |
| 2. | Mr. Teera Na Wangkanai | Independent director |
| 3. | Mr. Lert Nitheranont   | Independent director |

(f) Management

The Company's management includes

- |    |                              |   |
|----|------------------------------|---|
| 1. | Mr. Prasarn Akarapongpisak   | Managing Director   |
| 2. | Mr. Anan Manatchinapisit     | Deputy Managing Director                                  |
| 3. | Mr. Somnuik Thanasarn        | Sales and Marketing Manager                               |
| 4. | Mrs. Chanpen Chitsawat       | General Administrative Manager                            |
| 5. | Mr. Thaksin Senkhum          | Production Manager, (Acting) Planning & Inventory Manager |
| 6. | Mr. Wisit Worayosgovit       | Accounting and Finance Manager                            |
| 7. | Mr. Wissanu Mahajchaiyawong* | Quality Assurance Manager                                 |
| 8. | Mr. Boonjob Limchamroen**    | Human Resource Manager                                    |

Remark : \* Started work April 1, 2011

\*\* Started work July 1, 2011

## The Nomination of Directors and Management

(a) The nomination of directors

Although the Company has no nomination committee to be responsible for the director nomination, the Company has a policy to elect and nominate the appropriate persons to serve as the Company's directors by taking into consideration their knowledge, ability, and relevant experiences that can contribute to the Company's business in the future. The board of directors shall consider and propose such nomination to the shareholder's meeting. The criteria of the director's nomination are as follows:

- (1) The board of directors shall consist of at least 5 directors where not less than half of the directors must be the residents of the Country and must hold the qualifications as specified by law.
- (2) The shareholder's meeting shall elect the directors as per the following procedure:
  - (2.1) Each shareholder shall have the number of votes equal to the number of shares held.
  - (2.2) The shareholder shall be able to exercise the entire votes as described in 2.1 for one person or a group of persons as director or directors but shall not allot his/her votes to any person in any number.
  - (2.3) The voting results of each candidate shall be ranked in order from the highest number of votes received to the lowest, and those candidates shall be appointed as directors in that order until all of the director positions are filled. In case of a tied vote, the chairman of the shareholder's meeting shall vote.
- (3) 1/3rd of the directors shall resign on the annual general shareholder's meeting, however, in case that the number of directors is not dividable by 3, the number of directors closest to 1/3rd shall resign.

The directors resigning in the first and second years after the registration of the Company shall be selected by drawing. In subsequent years, the director who has been in the post longest shall resign. A director who resigns under this procedure may be re-elected.

(b) The nomination of independent directors and audit committee

The independent directors and the audit committee consist of 3 directors who shall be elected by the board of directors's meeting and/or the shareholder's meeting. The term of the independent directors and the audit committee shall be 3 years. The Company has a policy to elect the appropriate person(s) by considering their independence, the capability to represent the minor shareholders, knowledge and relevant experience. The nomination criteria are as follows:

- (1) Holding not more than 5 percent of the paid up shares of the Company, sister companies, affiliates and other related parties where the shareholding of the related parties shall be included
- (2) Neither be a managerial director of the Company, parent company, sister companies, affiliates and other related parties nor be an employee or advisor who receives normal salary from the Company, parent company, sister companies, affiliates, other related parties and major shareholder of the Company.
- (3) Not having any conflict of interests directly or indirectly with regard to the financial and operation affairs of the Company, parent company, sister companies, affiliates, and major shareholder within 1 year before the nomination except for the case that the board of directors have determined that such interests shall not intervene the independence of the audit committee.
- (4) Not being related to the management and the major shareholders.
- (5) Not being a representative of the directors, the major shareholders, or any other shareholders related to the major shareholders.
- (6) Being able to perform duties, provide opinion on and report results of the assignments delegated by the board of directors independently. Not being under the control of management, major shareholder and their related parties.

(c) The numbers of director representing the major shareholder.

There are 3 directors who represent the Akrapongpisak family including Mr. Prasarn Akrapongpisak Mr. Anan Manaschinapisith and Mr. Somnuik Tanasarn.

## Management's Remuneration

### (a) Cash Remuneration

#### - Director's Remuneration

Directors	2010 (01/04/09 - 31/03/10)		2011 (01/04/10 - 31/03/11)	
	Meeting Allowance (Baht)	Bonus (Baht)	Meeting Allowance (Baht)	Bonus (Baht)
1. Mr. Wanchai Umpungart	160,000	-	180,000	-
2. Mr. Prasarn Akarapongpisak	-	-	-	-
3. Mr. Anan Manatchinapisit	-	-	-	-
4. Mr. Somnuik Thanasarn	-	-	-	-
5. Mr. Anurut Vongvanij	20,000	-	50,000	-
6. Mr. Teera Na Wangkanai	80,000	-	60,000	-
7. Mr. Lert Nitheranont	80,000	-	90,000	-
Total	340,000	-	380,000	-

#### - Management's Remuneration (Management whose names is in management list)

Remuneration	2010 (01/04/09 - 31/03/10)		2011 (01/04/10 - 31/03/11)	
	Number of Person	Amount (Baht)	Number of Person	Amount (Baht)
Salary	8	14,918,221	6	15,809,538
Bonus	8	1,896,350	6	2,464,350
Other Remuneration (Communication expenses)	1	18,000	1	18,000
Total	8	16,832,571	6	18,291,888

Remark : \* The Six management staffs shown here does not fully agree to management list in management structure topic which shown eight person due to the additional of two new management staffs who have been starting their services in April 2011 and June 2011.

### (b) Other Cash Remuneration

The provident fund for the Company's employee was founded where the Company contributes 5% of the salary to such fund.

## Good Corporate Governance

The Company has realized the importance of the operation under the good corporate governance where the board of directors is determined to comply with the code of good corporate governance specified by the Stock Exchange of Thailand under the Code of Best Practice for Directors of Listed Companies.

Moreover, the Company is complied with the 5 Principle of Good Corporate Governance set by the Stock Exchange of Thailand for the benefit of the Company's business operation and for the transparency and efficiency enhancement. This should build up the creditability of the Company for the shareholder, the investors and other relevant parties. The details of the Company's good corporate governance practice are as follows:

**(1) Shareholder's Rights**

The Company has realized the importance of the equitable treatment to the shareholders where at each shareholder's meeting, the invitation letter and the relevant information shall be sent to the shareholders for not less than 7 days in advance. Moreover, the Company shall equitably encourage the shareholders to review the performance and to express their opinions and/or recommendations. Furthermore, the Company has an effective shareholder's meeting minutes filing system which is easy to refer and check.

For the shareholders who cannot be present at the shareholder's meeting, they can delegate their power of attorney to the independent director and the audit committee to vote for them.

During the shareholder's meeting, the chairman shall equitably encourage all shareholders to raise questions and to express their opinions and other recommendations.

**(2) The Equitable Treatment to Shareholders**

The Company treats the shareholders equitably in allowing them to check and express their opinions toward the Company's operation. The Company has a policy to comply with the article of association where the shareholders who cannot be present at the shareholder's meeting can delegate their power of attorney to the independent director and the audit committee to vote for them.

In order to avoid the conflict of interests, the delegation of the board of directors specifies that the delegated person must not approve any transactions that may lead to the conflict of interests. In addition, the Company and the subsidiaries shall comply with the regulations of the Stock Exchange of Thailand with regard to the connected transaction and the acquisition and disposition of assets of listed companies as the case may be.

The Company has set the procedure to undertake the related transaction as follows:

- (a) In case of the normal business transactions or the transactions to support the normal business with general terms and conditions and compensations that can be calculated from assets or reference prices, the procedure to undertake those transactions shall be in accordance with the regulations of the SEC office and the Stock Exchange of Thailand with regard to the connected transaction. The undertaken transactions shall be reported to the audit committee on a quarterly basis.
- (b) In case of other related transactions apart from those described in (a), the audit committee shall provide their opinions with regard to the necessity of the transaction and the reasonableness of the transaction's price by considering the normal business practice of the industry and comparing the undertaken price with the price of others or the market price. In case that the audit committee has no expertise on any transaction, the Company would hire an independent specialist or an auditor to provide their opinion on such transaction for the consideration of the audit committee, the board of directors or the shareholders as the case may be. The directors who may have any conflict of interests of the transaction will not be able to vote on such transaction.

The Control of the use of internal information for the benefit of the management, the Company has a procedure to control the use of the undisclosed information for the benefit of the management or their related parties as follows:

- (a) The Company has prevented the use of internal information by specifying that the departments which are accessible to such information must keep the information confidential to other irrelevant departments or parties.
- (b) The management who has accessed the Company's financial information must not use such<sup>27</sup>

information for their own benefits before the disclosure of such information to public. The management is prohibited to trade the Company's securities within one month before the public disclosure of the Company's financial statements.

- (c) The Company shall guide the management to report the change of their shareholdings to the SEC office as per clause 59 of the Securities and Exchange Act B.E. 2535. In addition, the management and employees who have accessed to the internal information are prohibited to share such information to others or irrelevant parties. They are also prohibited to trade the Company's securities within 30 days before the public disclosure of the financial statements.

### **(3) Roles of Stakeholders**

The Company has taken into account the rights of all stakeholders as follows:

- (a) Employees: The Company treats all employees with equitable and fair. The Company also provides appropriate remunerations and trainings.
- (b) Suppliers and Creditors: The Company treats all suppliers and creditors equitably and fairly under mutual terms and/or contracts to create the valuable relationship which shall benefit all parties.
- (c) Customers: The Company takes good care and responsibility of the customers by sourcing, fabricating, manufacturing and distributing quality products as well as by taking into consideration the customer's recommendations and opinions.
- (d) Competitors: The Company complies with the framework of fair competition and avoids the use of dishonest means to destroy the competitors's reputations.
- (e) Shareholders: The Company focuses on the sustainable growth in terms of revenue and profit. As a result, the shareholders will receive the appropriate returns according to the business condition.
- (f) Community and Society: The Company takes the responsibility towards to environment of the community and society by taking part in the social activities.

The Company has issued the Code of Ethics for the directors, management and all employees to comply with honest and integrity. The Company shall govern and ensure that such Code of Ethics is strictly complied. The Code of Ethics and the penalty are approved by the board of directors No. 4/2007 on August 15, 2007.

The Company has enhanced the efficient internal control and audit systems for both the management and operational levels by issuing the statement of duties and authorities of the management and the employees. The duties of execution, control and evaluate are segregated for the check and balance of power purpose. Moreover, the Company has undertaken the internal control over the financial system with the financial report system for the responsible management. The Company has the internal control system audited where on May 28, 2010 the Company appointed A.M.T. Services Office Limited as the Company's internal auditor for year 2010 (April 1, 2010 - March 31, 2011). The auditing shall emphasize on the internal control system and the analysis of the system risks. The summary of the auditing is as follow:

1. To evaluate the sufficiency of the internal control system.
2. To review the procedure of each working system.
3. To review the accounting transactions with the related parties.
4. To review the obligations.
5. To review the contingent liabilities.
6. To report the sufficient of internal controls during the year

The internal auditor shall report the result of the auditing to the audit committee on a quarterly basis. In addition, the internal auditor shall review the significant related transactions as per the request of the audit committee. The secretary of the audit committee shall coordinate between the internal auditor and the audit committee.

The Risk Management: The board of directors has emphasized the risk management system. The Company has evaluated the risks associated with the Company and specified the measures to prevent and manage those risks including the risks associated with the Company's businesses in risk factors.

**(4) The information disclosure and the transparency**

The Corporate Governance Policy: the board of directors has specified the corporate governance policy as they deemed that such policy is necessary for the sustainable growth of business. The board of directors is determined and intended to comply with such code of conducts where the business policies and directions have emphasized the importance of the internal control system and internal audit to govern the management to efficiently operate for the long-term benefit of the shareholders under the scope of laws and business ethics. The board of directors is also determined to emphasize the appropriate transparency of business operation, the information disclosure and the risk management.

The board of directors's meeting: The board of directors's meetings shall normally be convened once every quarter where the additional board of directors's meetings can be convened as necessary. The Company's secretary shall submit the invitation letter and the meeting agendas to the directors 7 days in advance thus the directors shall have sufficient time to study the information before the meeting. The minutes of the meetings are recorded in writing where the past minutes which have been approved by the board of directors are filed for the reference of the directors or other relevant parties.

In 2007 and 2008, the details of the board of director's meeting are as follows:

Directors	2010	2011
	Number of meetings convened / Number of meetings attended	Number of meetings convened / Number of meetings attended
1. Mr. Wanchai Umpungart	4/4	5/5
2. Mr. Prasarn Akarapongpisak	4/4	5/5
3. Mr. Anan Manatchinapisit	4/4	5/5
4. Mr. Somnuik Thanasarn*	4/4	5/5
5. Mr. Anurut Vongvanij	4/2	5/5
6. Mr. Teera Na Wangkanai	4/4	5/4
7. Mr. Lert Nitheranont	4/4	5/5

Director's report: The board of directors is responsible for the Company's financial statements and financial information disclosed in the annual report. The Company's financial statements are prepared in accordance with the general accepted accounting principles where the appropriate accounting policies are adopted and regularly complied with care and the best financial forecasts are prepared. The significant information is sufficiently disclosed in the notes to the financial statements.

In addition, the audit committee is responsible to consider the information and the disclosure of the financial statements.

**Investor's Relation:** The board of directors shall assign a person to be responsible for the information disclosure of the Company that is accurate, timely and transparently. In the near future, the board of directors shall consider to set up the Investor Relation department to be responsible to communicate with the institutional investors, shareholders and securities analysts.

The board of directors has emphasized the importance of the disclosure that is accurate, transparent and accessible of both financial reports and other information. Investor Relations Officer, has been assigned to be responsible to communicate with the institutional investors, shareholders and securities analysts. The general investors are able to request for the Company's information through Telephone: 0-2673-9559 Ext. 219 or homepage: <http://www.lohakit.co.th>.

#### **(5) Director's Responsibility**

The Company's board of directors participates in setting vision, mission, strategy, business goal, business plan and budget. The board also governs the management to run the business according to the goal, plan and budget efficiently and effectively to increase the economic value of the Company and the stability of the shareholders.

The balance of power of non-executive directors

The Company's board of directors consists of 7 members including

- 3 Executive Directors
- 1 Non-Executive Directors
- 3 Independent Directors

The proportion of the independent directors equals to 42.86% of the board of directors.

As for the segregation and aggregation of positions, the chairman position is segregated from the Managing Director position to separate the duties of policy governance and day-to-day operation.

The remuneration of directors and management

**Director's remuneration :** The Company has clearly and transparently set the policy for director's remuneration where the Company's remuneration is in line with the industry's remuneration. The experience, duties and scope of responsibilities are taken into account to maintain the qualified directors. The director's remuneration policy has been approved by the shareholder's meeting.

**Management's remuneration :** The management's remuneration is complied with the policy set by the board of directors. The performances of the Company and each management are taken into consideration. Currently, the Company does not have the remuneration committee.

Sub-Committee

The board of directors appointed the audit committee to assist governing the Company where the scope of authorities has been clearly specified. The Company has no remuneration committee; however, the Company has the appropriate procedure to fix the remuneration where the remunerations of others in the same industry and size as well as the Company's performance are taken into consideration.

## The Control of the Use of Internal Information

The Company has set the strict procedure to control the use of internal information especially the financial information which has to be audited by the certified auditor and approved by the audit committee before being proposed to the board of directors and disclosed to the Stock Exchange of Thailand and to public.

The Company's policy to control the use of internal information is as follows:

- (1) The directors, management and their spouses or minor child are prohibited to use the internal information to trade or transfer the Company's securities before the public disclosure of such information especially 30 days before the disclosure of the Company's financial statement. In addition, after the disclosure of any information, those specified persons are also prohibited to trade the Company's securities until the public has sufficient period of time to analyst such information (within 7 days after the disclosure).
- (2) The directors and management who are responsible to report the shareholding of them together with their spouses and minor child are educated with the shareholding report procedure in case that any of the directors, management, their spouses or their minor child have purchased, sold, transferred or received the Company's securities as per the regulation of the SEC office, Sor. Jor. 14/2540, Re, The preparation and disclosure of securities holding report and the penalty as per the Securities and Exchange Act B.E. 2535.

In case of violation, the appropriate penalties shall be enforced such as written warning, salary reduction, suspension or employment termination.

## Personels

- (a) Number of personnel as of March 2010 and March 2011 consist of 213 person and 215 person dividing into the following :

Department	2010	2011
Purchase	8	6
Finance/MIS/Audit	11	9
Sales & Marketing	24	27
Administrative	3	4
Human resource	6	6
Quality assurance	14	17
Planning/Inventory/Logistics	59	58
Production	88	88
Total	213	215

- (b) Labor dispute in past three years (31 March 2009 - 31 March 2011)  
None



## (c) Remunerations to non-executive personel

Remunerations	2010	2011
	(1 April 2009-31 March 2010)	(1 April 2010-31 March 2011)
Salary/wages	29,928,656	37,552,016
Bonus	1,913,749	2,699,980
Other benefits	5,259,673	5,842,637
Total	37,102,078	46,094,633
No. of personel	205	209

**Personel development policy**

The company and its subsidiaries main business are in the full service of stainless steel manufacturing. The business requires procurement, manufacturing, servicing and selling of stainless steel products to industrial customers. The company has policy in focusing to development personel in deliver the utmost benefits to satisfy customers.

Human resource department has duty to host the inhouse training by having inside and outside guest speaker as subject lecturers. In respect of outside training, the attendee will be considered from position and responsibility to determine the proper subject and trainer.

# The Internal Control System

## Summary of the board of directors's opinion on the sufficiency and appropriateness of the Company's internal control system

The board of director's meeting No.2/2011 dated May 30, 2011 which 3 independent directors and the audit committee were present, has evaluated the internal control system of the Company's 5 aspects including the organization and environment, the risk management, the control of the management's operation, the information and communication system and the monitoring system. The board of directors deemed that the Company has sufficient internal control system for the undertaking of related transactions with the major shareholders, directors, management and their related parties. The board of directors also deemed that the internal control systems for other aspects are sufficient as follows:

### 1. The Organization and environment

The Company has a clear organization chart where the scope of authorities of each management level is clearly specified. Each department shall convene a meeting to set its goals in order to get the mutual organization's goals. The Company specifies the business goals annually where the actual performance is taken into consideration and reviewed with the business goals in board of director every quarter. In addition, the Company has issued the clear job description according following the line of command and also issued the sale policy in equal and fair treating to customers.

### 2. Risk Management

The management constantly evaluates the economic condition and overall situation of the country to specify risk factors associated with the Company. The management shall monitor the risks with all relevant departments at least every month. The meeting have been set and conducted to analyse the performance as well as the situations and risks associating to operation and financial performance, including also the risk preventive measures.

### 3. The Control of the management's operation

The Company has clearly specified the table of authority for each level of management and segregation of duties and responsibility among functions and departments. In addition, the internal auditor audited the company activities and transactions throughout the year. Presently, the Company's internal control system for undertaking the transactions with the major shareholder, directors, management and their related parties is sufficient and stricted. The audit committee shall review those transactions on a quarterly basis where they shall assign the internal auditor to review those transactions and report directly to them. Such transactions including details and terms of the transactions must be disclosed in the notes to the audited financial statements.

### 4. The information and communication systems

The Company shall convene the board of directors's meeting at least once every quarter where the invitation letter and relevant documents shall be distributed to the directors at least 7 days before the meeting. For the filing and accounting systems, the Company appointed Ernst and Young Office Limited as the Company's external auditor to ensure that the Company's accounting policies are in compliance with the general accepted accounting principles and report the information especially the accounting and finance information to the management and the board of directors for their acknowledgement and decision making purposes.

**5. The monitoring system**

The Company has a policy to specify the business goals and to compare the actual performance with such goals where the reasons of the differences shall be identified. Any operational errors must be promptly reported to the management for their actions.

**The opinions of the external auditor, the internal auditor and the audit committee over the Company's internal control system**

**(a) The opinion of the external auditor over the internal control system**

After auditing the Company's financial statements for the period ended on March 31, 2011, the external auditor studied and evaluated the efficiency of the internal control system of the Company's accounting system and found that the internal control system of the Company's accounting system is sufficient in good level.

**(b) The opinion of the internal auditor over the internal control system**

A.M.T Services Office Limited has been appointed as the Company's internal auditor where the results of the internal control assessment in corporate level were presented to the audit committee's meeting No. 2/2011 dated May 30, 2011. The evaluation of the internal control systems of the organization and environment, the risk management, the control of management's operation, the information and communication system and the monitoring system found that the Company's system is in the good level.

In addition, internal auditor had audits over company internal controls over the activities and presented the internal audit report to the audit committee every quarter according to quarterly internal audit plans for the year 2010 and found that the audit result according to the audit plans showed the proper and sufficient internal controls.

**(c) The opinion of the audit committee over the internal control system**

The audit committee's meeting No. 2/2011 dated May 30, 2011 considered and acknowledged the reports of the internal auditor and the results of the internal auditing as per the 2010 plan (April 1, 2010 - March 31, 2011) of the major activities which found that the Company has sufficient and appropriate internal control systems of such activities. The audit committee deemed that the Company has sufficient internal control systems.

## Related Transactions

Summary of related transactions of the Company, the subsidiary, related companies and other parties who may have conflicts of interest with the Company for the accounting period of 2010, ended on March 31, 2011.

Related Parties	Relationship	Details of Transaction	Amount	Opinion of the Audit Committee
			(million baht) 01/04/10 - 31/3/11	
1. Ngeck Seng Chiang Metal Co.,Ltd. ("NSCM")	<p>NSCM and the Company have the same group of major shareholders, namely the Akarapongpisak family.</p> <p>The Akarapongpisak family accumulately held 62.29% of Lohakit Metal Plc. as of July 2, 2010 and 100.00% of NSCM as of June 8, 2011.</p>	<p>LHK Sold its product to NSCM.</p> <p>Subsequently on January 2, 2007, LHK appointed NSCM as the Company's dealer to sell, market and promote the products under the Company's name. Such dealer contract valids for 3 years from January 2, 2007 to January 1, 2010. The contract states that the dealer's fee shall be equal to 2% of the monthly revenue where the fee shall be paid after the Company has received the payment from the customers</p> <p>The contract can be renewed on a yearly basis upon the discretion of LHK. The contract shall be automatically renewed for the period of 1 year in case that there's no action taken after the contract has expired.</p> <ul style="list-style-type: none"> <li>- Revenue 54.38</li> <li>- Account receivables 3.39</li> <li>- Commission fee 0.14</li> <li>- Accrued commission 0.10</li> </ul>		<p>The selling price of the transaction was in line with the normal business practice where the price was relatively close to the price quoted to the major customers of the Company.</p> <p>The dealer's fee of 2% is in line with to the dealer's fee that the Company agreed to pay to international dealers ranging from 1.5% to 2% of revenue.</p>
2. Mr.Prasarn Akarapongpisak	<p>Mr. Prasarn Akarapongpisak serves as director, Managing Director and authorized dirrector of the Company.</p> <p>Mr. Prasarn Akarapongpisak holds 18.76% of the Company (information as of July 2, 2010)</p>	<p><u>Guarantee</u></p> <p>1. Mr. Prasarn Akarapongpisak has guaranteed the Company's loan in the amount of Baht 45 million with Kasikorn Bank Plc. Dated Januray 23, 2006. Nevertheless, Bank has internally approved to withdraw the guarantee in June 2011. Legal process to withdraw is on the way.</p>	45.00	<p>Such guarantee was for the benefit of the Company as the banks required the Company's director to guarantee the Company's loans. However, to the strength of financial status of the company, Bank agreed to withdraw the guarantee.</p>

### **The necessity and reasonableness of the transactions**

The audit committee deemed that those related transactions are necessary and reasonable as the undertaken prices were in accordance with the normal business practice where those prices were close to the prices offered to the major customers of the Company. The commission fee of 2% was in the same range as the commission fee paid to the international dealers of 1.5 - 2% of total revenue.

In addition, the audit committee found that during the period ended on March 31, 2011, none of the customers of NSCM has ever been the customers of the Company.

### **Procedure to undertake the related transactions**

The related transactions must be considered by the board of directors or the shareholders as the case may be. The board of directors or the person(s) delegated by the board of directors must not approve any transactions that may lead to the conflict of interests between them, their related parties and the Company or its subsidiaries.

The procedure to undertake the related transactions between the Company, the subsidiaries (if any) or the affiliates (if any) and the related parties is as follow:

- (1) In case of the normal business transactions or the transactions to support the normal business with general terms and conditions and compensations that can be calculated from assets or reference prices, the procedure to undertake those transactions shall be in accordance with the regulations of the SEC office and the Stock Exchange of Thailand with regard to the connected transaction. The undertaken transactions shall be reported to the audit committee on a quarterly basis.
- (2) In case of other related transactions apart from those described in (1), the audit committee shall provide their opinions with regard to the necessity of the transaction and the reasonableness of the transaction's price by considering the normal business practice of the industry and comparing the undertaken price with the price of others or the market price. In case that the audit committee has no expertise on any transaction, the Company would hire an independent specialist or an auditor to provide their opinion on such transaction for the consideration of the audit committee, the board of directors or the shareholders as the case may be. The directors who may have any conflict of interests of the transaction will not be able to vote on such transaction.
- (3) The Company shall disclose the related transaction in the notes to the audited financial statements, form 56-1 and the annual report.
- (4) The Company shall comply with the securities and exchange laws and in case that the Company has its securities listed on the Stock Exchange of Thailand, the Company shall comply with rules, announcements, order and regulations of the Stock Exchange of Thailand as well as the regulation with regard to the disclosure of the connected transaction and the acquisition and disposition of assets.

### **The policy to undertake the future related transactions**

The policy to undertake the future related transaction, the board of directors shall consider the necessity and reasonableness of the transaction as well as the maximum benefit of the Company. The transaction price and terms shall be in accordance with normal business practice which must be comparable to the price offered to the outsiders. The Company shall direct the audit committee, the accounting auditor or the independent specialist to consider, review and provide their opinions on the appropriateness of the price and the reasonableness of the transactions. Also, the Company shall comply with the regulations with regard to the connected transaction of relevant authorities such as the SEC office and the Stock Exchange of Thailand.

## Details of Directors and Executive Management

No.	Name Position	Age (Year)	Educational Background	Share holding In LHK (As of July 2, 2010)	Relation between the Director Member	Work Experience for the last 5 years		
						Period	Job Title	Company Name/Type of Business
1.	Mr. Wanchai Umpungart Chairman of the Board of Directors, Independent Director and Chairman of the Audit Committee	63 years	<ul style="list-style-type: none"> <li>- MBA, Sasin Graduate Institute of Business Administration of Chulalongkorn University</li> <li>- BA Accounting, Chulalongkorn University</li> <li>- Director Accreditation Program DAP 35/200 on April 1, 2005</li> </ul>	-	-	2005 - Present  1991 - Present  2002 - Present  2004 - 2007  2005 - Present  2005 - Present  2005 - Present  2006 - Present 2007 - Present  2003 - 2005  2003 - 2004  2003 - 2005  2002 - 2005  2002 - 2004	Chairman of the Board of Directors, Independent Director and Chairman of the Audit Committee  Chairman of the Board of Directors  Independent Director and Audit Committee  Managing Director  Audit Sub-Committee  Independent Director and Chairman of the Audit Committee  Honorable Committee  Director  Independent Director and Member of Audit Committee  Director  Chairman of Executive Committee  Director  Director and Chairman of the Audit Committee  Managing Director	Lohakit Metal Public Company Limited / Procuring stainless steel coils products  Issarapab Enterprise Co., Ltd. / Delivery concrete  Muramoto Electron (Thailand) Plc. / Manufacturer and exporter electronic parts  Thai Herbal Products Co., Ltd. / Manufacturer and distributor Thai Herbal Products  The Office of the National Research Council of Thailand  Sahapattana Inter Holding Plc. / Investment Business  Office of Community Enterprise Promotion Board  Marketing Organization of Farmers  Thanulux Public Company Limited / Manufacturer clothes and leather accessories  Thai Plywood Co., Ltd. / Manufacturer Plywood and M.D.F. door  Thai Herbal Products Co., Ltd. / Manufacturer and distributor Thai Herbal Products  Thai Watana Pharmaceutical Dextrose Co. Ltd. / Manufacturer, Exporter and wholesale Dextrose  The Government Pharmaceutical Organization / Manufacturer and distributor pharmacy  Krung Thai Property Development / Selling real estate

## Details of Directors and Executive Management

No.	Name Position	Age (Year)	Educational Background	Share holding In LHK (As of July 2, 2010)	Relation between the Director Member	Work Experience for the last 5 years		
						Period	Job Title	Company Name/Type of Business
2.	Mr. Prasarn Akarapongpisak* Director, Chairman of Executive Committee and Managing Director	52 Years	<ul style="list-style-type: none"> <li>- MBA, Sasin Graduate Institute of Business Administration of Chulalongkorn University</li> <li>- Bachelore of Technology and Industrial Management King Mongkut's University of Technology North Bangkok</li> <li>- Director Accreditation Program DAP 37/2005 on May 20, 2005</li> <li>- Director Certification Program DCP60/2005</li> </ul>	18.76 %	-	1989 -Present  2001 - Present  2005 - Present  2002 - Present  2004 - Present	Director, Chairman of Executive Committee and Managing Director  Director  Director  Director  Director	Lohakit Metal Public Company Limited / Procuring stainless steel coils products  Zoom Room Co., Ltd. / Organize Business D-Stainless Co., Ltd. / Distributor Special grade stainless (D-Stainless) Truemind & Partners Co., Ltd. / Business Consultant Auto Metal Co., Ltd. / Manufacturer and Distributor Automotive Pipes
3.	Mr. Anan Manatchinapisit* Director, Member of Executive Committee, Deputy Managing Director	48 years	<ul style="list-style-type: none"> <li>- MAcc, Chulalongkorn University</li> <li>- BA Accounting, Chulalongkorn University</li> <li>- Director Certification Program DCP 92/2007</li> </ul>	-	-	2005-Present  2008 - Present  2008 - Present  2000 - 2005	Director, Member of Executive Committee, Deputy Managing Director  Director  Director  Financial Director	Lohakit Metal Public Company Limited / Procuring stainless steel coils products  Auto Metal Co., Ltd. / Manufacturer and Distributor Automotive Pipes D-Stainless Co., Ltd. / Distributor special grade stainless steel products Schneider (Thailand) Co., Ltd. / Manufacturer electrical distribution and automation control equipment utilising

## Details of Directors and Executive Management

No.	Name Position	Age (Year)	Educational Background	Share holding In LHK (As of July 2, 2010)	Relation between the Director Member	Work Experience for the last 5 years		
						Period	Job Title	Company Name/Type of Business
4.	Mr. Somnuik Thanasam* Director, Member of Executive Committee and Sales & Marketing Manager	44 years	- Bachelor of Economics Thammasat University	-	-	1999 - Present 2008 - Present 2008 - Present 1999 - Present	Director, Member of Executive Committee Director Director Sales & Marketing Manager	Lohakit Metal Public Company Limited / Procuring stainless steel coils products Auto Metal Co., Ltd. / Manufacturer and Distributor Automotive Pipes D-Stainless Co., Ltd. / Distributor special grade stainless steel products Lohakit Metal Public Company Limited / Procuring stainless steel coils products
5.	Mr. Anurut Vongvanij	48 years	- MBA, Sasin Graduate Institute of Business Administration of Chulalongkorn University - BA. in Economics and Political Science, Hawaii University, Hawaii, U.S.A.	-	-	2005 - Present 1996 - Present 2004 - Present 1996 - Present 2008 - Present	Director President President President President	Lohakit Metal Public Company Limited / Procuring stainless steel coils products The British Dispensary(L.P.) Co., Ltd. / Manufacturer Perfume, Cosmetic and Pharmacy Vongvanij Holding Co., Ltd. / Investment Business The British Dispensary Co., Ltd. / Distributor Perfume, Cosmetic and Pharmacy Pharmacomet Public Company Limited / Distributor Body Care products and Cosmetic

Remark : \* The Company's authorized directors



40 Details of Directors and Executive Management

No.	Name Position	Age (Year)	Educational Background	Share holding In LHK (As of July 2, 2010)	Relation between the Director Member	Work Experience for the last 5 years		
						Period	Job Title	Company Name/Type of Business
6.	Mr. Teera Na Wangkanai Director, Independent Director and Member of Audit Committee	54 years	<ul style="list-style-type: none"> <li>- Senior Executive Program Sasin Graduate Institute of Business Administration of Chulalongkorn University</li> <li>- Sugar Technology College, Queensland, Australia</li> <li>- Western Australian Institute of Technology, Australia</li> <li>- Director Certification Program 54/2005 March 2005</li> </ul>	-	-	<p>2005 - Present Director, Independent Director and Member of Audit Committee</p> <p>2003 - Present Director</p> <p>1987 - Present Director</p> <p>1994 - Present Director</p> <p>1998 - Present Director</p> <p>1992 - Present Director</p> <p>1992 - Present Director</p> <p>1992 - Present Director</p> <p>1987 - Present Director</p> <p>Present 1988 - Present 1991 - Present Director</p> <p>1992 - Present Director</p> <p>1992 - 2008 Director</p> <p>1987 - Present Director</p> <p>Present Director</p>	<p>Lohakit Metal Public Company Limited / Procuring stainless steel coils products</p> <p>Estima Consulting Co., Ltd. / Dealers of wines, spirits, liquor, alcoholic, beer etc.</p> <p>Sugar Industry Trading Co., Ltd./ Exporter Sugar</p> <p>Credence Co.,Ltd. / Wholesale Sugar</p> <p>Chaochom Warehouse Co., Ltd. / Sugar Warehouse Servicer</p> <p>Mahawang Sugar Co., Ltd./ Sugar manufacturer and distributor</p> <p>Ratchasima Sugar Co., Ltd. / Sugar manufacturer and distributor</p> <p>Chaimongkol Refined Sugar Co., Ltd. / Sugar manufacturer and distributor</p> <p>Wangkanai Sugar Co., Ltd. / Sugar manufacturer and distributor</p> <p>Wangkanai Co., Ltd. / Commercial and agricultural business</p> <p>Wangkanai Terminal Co., Ltd. / Ship loader for sugar transportation</p> <p>Wang Business Co., Ltd. / Handle customs procedures for import and export operation</p> <p>Ang Thong Warehouse Co., Ltd. / Warehouse and transfer service</p> <p>Aow Thai Warehouse Co., Ltd. / Sugar warehouse</p> <p>T.N. Sugar Industry Co., Ltd. / Sugar manufacturer and distributor</p> <p>Angvian Industry Co., Ltd. / Sugar manufacturer and distributor</p>	

## Details of Directors and Executive Management

No.	Name Position	Age (Year)	Educational Background	Share holding In LHK (As of July 2, 2010)	Relation between the Director Member	Work Experience for the last 5 years		
						Period	Job Title	Company Name/Type of Business
7.	Mr. Lert Nitheranont Director, Independent Director and Member of Audit Committee	48 years	<ul style="list-style-type: none"> <li>- Master of Business Administration (International Business) University of Southern California U.S.A.</li> <li>- Bachelor of Science</li> <li>- Mechanical Engineering and Applied Mechanics University of Pennsylvania U.S.A.</li> <li>- Director Accreditation Program DAP 35/2005 on Apr. 1, 2005</li> </ul>	-	-	2005 - Present 1996 - Present 2005 - Present 2002 - Present 1984 - Present 2003 - Present 1990 - Present	Director, Independent Director and Member of Audit Committee Director Director Director Director Director Director	Lohakit Metal Public Company Limited / Procuring stainless steel coils products Crane Today (Asia) Co., Ltd. / Importer Tower Crane and selling Tower Crane Thai Delights Group Co., Ltd. / Thai restaurant and spa Rookha Co., Ltd. / Transportation Royal Concord Interrade Co., Ltd. / Trading Business Eco-Tech (Thailand) Co.,Ltd. / Consultant of Quality and Environment System M&R Textile Co., Ltd. / Manufacturer and Exporter sweater
8.	Mrs. Chanpen Chitsawat General Administration Manager	38 years	High Vocational Certificate, Wiboon Business Administration College, Business Computer	-	-	2007 - Present 2002 - 2006	General Administration Manager Purchasing Manager	Lohakit Metal Public Company Limited / Procuring stainless steel coils products Lohakit Metal Public Company Limited / Procuring stainless steel coils products
9.	Mr. Wisit Worayosgovit Accounting and Finance Manager	43 years	- Bachelor of Accounting Thammasat University	-	-	April, 2009 - Present 2008 - 2009 2004 - 2007 1998 - 2004	Accounting and Finance Manager Hub Finance Manager Business Controller Finance Controller	Lohakit Metal Public Company Limited / Procuring stainless steel coils products East-West Seed (ROH) Limited / Manufacturer and distributor seeds Alfa Laval (Thailand) Ltd. / Distributor machine and engineering appliance Roche Diagnostics (Thailand) Co., Ltd. / Distributor Chemical medicinal liquid and medical appliance

## Details of Directors and Executive Management

No.	Name Position	Age (Year)	Educational Background	Share holding In LHK (As of July 2, 2010)	Relation between the Director Member	Work Experience for the last 5 years		
						Period	Job Title	Company Name/Type of Business
10.	Mr. Thaksin Senkhum Production Manager, Acting as Planning & Inventory Manager	41 years	Bachelor of Science Program in Industrial Technology Dhonburi Rajabhat University	-	-	2008 - Present  2007 - 2008 2004 - 2007	Production Manager  Logistic Manager Planning & Logistic Manager	Lohakit Metal Public Company Limited / Procuring stainless steel coils products Auto Metal Co., Ltd. / Manufacturer and Distributor Automotive Pipes Takahashi Plastic Co., Ltd. / Injection molding precision plastics parts and spraying silk screening and pad printing process
11.	Mr. Wissanu Mahajchariyawong Quality Assurance Department Manager	42 years	B.E. , Bechelor degree of Mechanical Engineering Certificates of Six Sigma Methodology & Quality System Management	-	-	2011 - Present  2006 - 2011	Quality Assurance Department Manager  Quality Assurance Department Senior Manager	Lohakit Metal Public Company Limited / Procuring stainless steel coils products LN Srithai Com Co.,Ltd, manufacturer for equipments of PABX & telephone
12.	Mr. Boonjob Limchamroen Human Resources Manager	51 years	Master Degree M.A. Political Sciences (Public Administration) Thammasat University	-	-	2011 - Present  2010 - 2011  2004 - 2009  1999 - 2004  1994 - 1999	Human Resources Manager  Vice President-Human Resources  Group Human Resources Development Manager  Human Resource and Training Manager  Human Resource and Admin Manager	Lohakit Metal Public Company Limited / Procuring stainless steel coils products Areeya Property Public Company Limited / Real Estate and property developer Nan Yang Textile Group / Manufacturer and sales of textile and garment IDS Logistics (Thailand) Limited Service Provider in Logistics and Supply Chain Jardine Matheson (Thailand) Limited Engineering Service Contractor

## Management Discussion and Analysis

### 1. Operating Performance

For the year ended 31st March 2011, the Company and its subsidiaries had net profit of Baht 139.11 million or increased by 37.4 percent from previous year or accounting for the increased in profit amount by 37.84 million baht, compared with the net profit of Baht 101.27 million of the same period of the previous year. This was due to the increase in gross profit by Baht 89.95 million as the result of growth in sale volume by 22.6 percent, higher profitability from quality of products and good services to demand of market, economy of production scale and production efficiency especially from exhaust pipes in automotive as well as coils & sheets in home appliance industries which are main market sectors of Company and its subsidiaries.

The profit before interest and tax increased by Baht 73.93 million whereas corporate tax increased by Baht 20.35 million and recording profit sharing in present year by Baht 12.92 million to minority shareholders which was the result from sales of partial investment in subsidiary company to Mory Industrial Inc, a Japanese business alliance who join the subsidiary for the mutual purpose in expanding business and value to a subsidiary company.

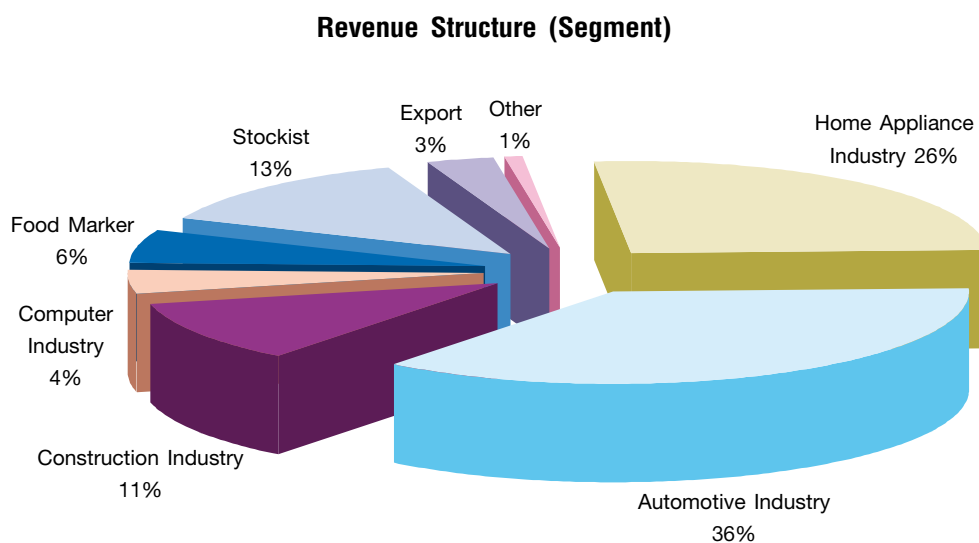
(Unit: Baht millions)

Consolidated financial statement	For the year ended 31 <sup>st</sup> March			
	Apr 2010 - Mar 2011	Apr 2009 - Mar 2010	Change	% Change
Revenue from sales & service	2,415.00	1,970.41	444.59	22.6%
Other income	39.35	30.07	9.28	30.9%
<b>Total revenue</b>	<b>2,454.35</b>	<b>2,000.48</b>	<b>453.87</b>	<b>22.7%</b>
Cost of goods sold & service	2,137.16	1,782.52	354.64	19.9%
Selling expenses	57.76	40.06	17.70	44.2%
Administrative expenses	34.37	31.26	3.11	10.0%
Director and management remuneration	28.41	23.92	4.49	18.8%
<b>Total expenses</b>	<b>2,257.70</b>	<b>1,877.76</b>	<b>379.94</b>	<b>20.2%</b>
<b>Earning before interest and tax</b>	<b>196.65</b>	<b>122.72</b>	<b>73.93</b>	<b>60.2%</b>
Finance cost	-16.85	-13.92	-2.93	21.1%
Share of profit from investment in associate	1.39	1.28	0.11	8.6%
Corporate Income tax expenses	-29.16	-8.81	-20.35	231.0%
<b>Net profit</b>	<b>152.03</b>	<b>101.27</b>	<b>50.76</b>	<b>50.1%</b>
Minority interest in subsidiary	-12.92	-	-12.92	100.0%
<b>Net profit of the Company</b>	<b>139.11</b>	<b>101.27</b>	<b>37.84</b>	<b>37.4%</b>

### 1.1 Revenue

For the year ended 31st March 2011, the Company and its subsidiaries had revenue from sales and service of Baht 2,415.00 million compared with Baht 1,970.41 million in the same period of the previous year, which increased by 22.6 percent. This was owing to significant growth in sale volumes from previous year as the result of the high production scale of customer segments driven by domestic and oversea demand, especially the high jump of automotive sales & production from its low base in 2009, whereas selling prices in several product lines have both higher and lower in average prices of products than previous year.

The Company and its subsidiaries' revenue from the sales of goods are mostly revenue from domestic sales. For the year ended 31st March 2011, the Company and its subsidiaries had revenue from domestic sales of 97.20 percent of total revenue from sales.



### 1.2 Other income

Other income consists of interest income, gain from asset sales and revenue from scrap sales. For the year ended 31st March 2011, the Company and its subsidiaries had other income of Baht 39.35 million which increased by 30.9 percent from the same period previous year. The significant other income is income from scrap sales which are the results from the processing of cold rolled stainless steel sheet and coil such cut to length as per customers' requirements. The Company and its subsidiaries therefore sold scrap and recorded as the other income. In addition, The Company and its subsidiaries realized gain from sales of partial investment in subsidiary of Baht 5.79 million in the accounting period ended 31st March 2011.

### 1.3 Cost of goods sold

Major cost of goods sold are cost of raw material such cold rolled stainless steel sheet and coil and D-Stainless which the Company and its subsidiaries process. For the year ended 31st March 2011, the Company and its subsidiaries had cost of goods sold of Baht 2,137.16 million, or accounting for 87.08 percent of the total revenue in comparing with Baht 1,782.52 million or accounting for 89.10 percent of total revenue of previous year, which increased by 19.9 percent whereas sales & service increased by 22.6 percent. The main reason of reduction in percentage was owing to the bigger scale and higher production efficiency.

#### **1.4 Selling expenses**

Selling expenses consist of sale staff expenses, transportation expenses, promotion expenses. For the year ended 31st March 2011, the Company and its subsidiaries had selling expenses of Baht 57.76 million, compared with selling expenses of Baht 40.06 million in the same period of the previous year which increased by 41.5 percent. This was due to the increases in selling expenses of a subsidiary in order to boost up its sales. For the year ended 31st March 2011, the selling expenses were 2.35 percent of total revenue, compared with selling expenses of 2.00 percent of total revenue in the same period of the previous year.

#### **1.5 Administrative expenses**

Administrative expenses consist of executive expenses excluding the remuneration and staff expenses other than sale department, office rental expenses and other management and administrative expenses. For the year ended 31st March 2011, the Company and its subsidiaries had administrative expenses of Baht 34.37 million, compared with administrative expenses of Baht 31.26 million in the same period of the previous year which increased by 10.0 percent as the result of more controls. For the year ended 31st March 2011, the administrative expenses were 1.40 percent of total revenue, compared with administrative expenses of 1.56 percent of total revenue in the same period the previous year.

#### **1.6 Director and management remuneration**

Director and management remuneration consist of salary, bonus and meeting allowance to director and management staffs. For the year ended 31st March 2011, the Company and its subsidiaries had remuneration expenses of Baht 28.41 million, compared with previous year remuneration expenses of Baht 23.92 million which increased by 18.8 percent. For the year ended 31st March 2011, the remuneration expenses were 1.16 percent of total revenue, compared with remuneration expenses of 1.20 percent of total revenue in the same period of the previous year

#### **1.7 Earning (loss) before interest and tax and Net Profit (loss)**

For the year ended 31st March 2011, the Company and its subsidiaries had profit before interest and tax of Baht 196.65 million. After deducting the finance cost of Baht 16.85 million, income tax of Baht 29.16 million, net profit sharing to minority shareholders of subsidiary of Baht 12.92 million and adding the profit sharing from investment in related of Baht 1.39 million, the net profit of the Company and its subsidiaries stood at Baht 139.11 million. When comparing to the profit before interest and tax and the net profit of the same period of the previous year which stood at Baht 122.72 million Baht 101.27 million respectively, the net profit of the present period increased by 37.4 percent.

#### **1.8 Share of income from investment in associate**

In April 2009, the Company invested in the ordinary shares of Mory Lohakit (Thailand) Co.,Ltd. by holding 49 percent of total shares. As for the accounting year ended 31st March 2011 and 2010, the company and its subsidiary recognized share of profit by equity method of Baht 1.39 million and Baht 1.28 million respectively.

### **1.9 Corporate income tax**

For the year ended 31<sup>st</sup> March 2011, the Company and its subsidiaries recognized corporate tax expenses by 29.16 million mostly resulting from profit of the company or increased by 231.0 percent. The increase in present year was due to the low level of last year tax which had benefit from the utilization of tax loss.

### **1.10 Profit sharing to minority shareholders of subsidiary company**

On Oct 1<sup>st</sup> 2010, the company sold partial investment in a subsidiary company to Japanese alliance, Mory Industrial Inc. the Company and its subsidiaries recognized profit sharing to minority shareholders according to the percentage of shareholding of net profit in subsidiary through the period of its holding which was amount by 12.92 million for the last six month period.

### **1.11 Profitability**

For the year ended 31<sup>st</sup> March 2011 the Company and its subsidiaries had gross profit margin of 11.50 percent compared with gross profit margin of 9.54 percent in the same period the previous year. The gross profit margin increased owing to the quality of products and good services to demand of markets, more percentage in sales of automotive pipe which giving the better margin, bigger production scales and efficiency in production processes.

For the year ended 31<sup>st</sup> March 2011, the Company and its subsidiaries had net profit margin of 5.67 percent compared with net profit of 5.06 percent in the same period of the previous year. The increase in net profit was mainly contributable from the better gross margin as mention above.

(Unit: Baht millions)

Consolidated balance sheets	As at 31 <sup>st</sup> Mar 2011		As at 31 <sup>st</sup> March 2010	
	Amount	%	Amount	%
<b><u>ASSETS</u></b>				
<b><u>Current Assets</u></b>				
Cash and cash equivalents	33.97	2.28%	45.22	3.26%
Trade account receivables, net - other parties	567.18	37.98%	499.55	36.04%
Trade account receivables, net - related party	3.39	0.23%	3.27	0.24%
Inventories, net	525.20	35.28%	463.05	33.40%
Other current assets	13.79	0.92%	16.08	1.16%
<b>Total current assets</b>	<b>1,143.53</b>	<b>76.59%</b>	<b>1,027.17</b>	<b>74.10%</b>
<b><u>Non-current assets</u></b>				
Investment in associate	7.58	0.51%	6.18	0.45%
Property, plant and equipment, net	332.70	22.29%	341.59	24.64%
Intangible assets - net *	1.85	0.12%	4.03	0.29%
Restricted fixed Deposits	5.00	0.33%	5.00	0.36%
Other non-current assets	2.34	0.16%	2.23	0.16%
<b>Total non-current assets</b>	<b>349.47</b>	<b>23.41%</b>	<b>359.03</b>	<b>25.90%</b>
<b>TOTAL ASSETS</b>	<b>1,493.00</b>	<b>100.00%</b>	<b>1,386.20</b>	<b>100.00%</b>
<b><u>LIABILITIES</u></b>				
<b><u>Current liabilities</u></b>				
Bank overdraft and ST loan from financial institutions	307.05	20.57%	323.19	23.31%
Trade account payables, other parties	223.51	14.97%	262.40	18.93%
Current portion of LT loan	-	-	5.50	0.40%
Current portion of hire purchase and finance lease obligations	2.30	0.15%	3.78	0.27%
Accrued corporate tax	13.28	0.89%	4.59	0.33%
Other payable - related	4.63	0.32%	3.54	0.26%
Other current liabilities	28.11	1.88%	25.81	1.86%
<b>Total current liabilities</b>	<b>578.88</b>	<b>38.78%</b>	<b>628.81</b>	<b>45.36%</b>
<b><u>Non-current liabilities</u></b>				
Hire purchase and financial lease obligations	3.34	0.22%	3.65	0.27%
<b>Total non-current liabilities</b>	<b>3.34</b>	<b>0.22%</b>	<b>3.65</b>	<b>0.27%</b>
<b>Total liabilities</b>	<b>582.22</b>	<b>39.00%</b>	<b>632.46</b>	<b>45.63%</b>
<b><u>SHAREHOLDERS' EQUITY</u></b>				
Share capital				
Authorised share capital				
Issued and paid-up capital	320.00	-	320.00	-
Premium (discount) on common stock	320.00	21.43%	320.00	23.08%
Retained earnings	330.67	22.15%	330.67	23.85%
Legal reserve	18.43	1.23%	13.93	1.00%
Retained earnings - unappropriated	175.75	11.77%	89.14	6.44%
Minority interest	65.93	4.42%	-	-
<b>Total shareholders' equity</b>	<b>910.78</b>	<b>61.00%</b>	<b>753.74</b>	<b>54.37%</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>1,493.00</b>	<b>100.00%</b>	<b>1,386.20</b>	<b>100.00%</b>



## 2. Financial Status

### 2.1 Assets

As for the assets value as at 31st March 2011 and 2010 the Company and its subsidiaries had total assets of Baht 1,493.00 million and Baht 1,386.20 million respectively since the Company and its subsidiaries operated integrated stainless center which provided many kinds of services such as procurement, transformation, manufacture and stainless product wholesale. Therefore, the Company and its subsidiaries' major assets are inventories, account receivables, land, plant and equipment as details below:

2.1.1 Inventories: As at 31st March 2011 and 2010 the Company and its subsidiaries had net inventories of Baht 525.20 million (or 35.18 percent of total assets) and Baht 463.05 million (or 33.40 percent of total assets) respectively. The increase in value of inventory was resulted from the buffering of long lead time raw materials in order to minimize the risk of its shortage opportunity in view of the continuing business growth.

2.1.2 Trade account receivables, net - other parties: As at 31st March 2011 and 2010, the Company and its subsidiaries had Trade account receivables, net - other parties of Baht 567.18 million (or 37.98 percent of total assets) and Baht 499.55 million (or 36.04 percent of total assets) respectively. The increased in trade account receivables was the result of the growth in sales for the three month period ended 31st March 2011.

2.1.3 Land, plant and equipments--Land and improvements, building, machinery, office equipments, vehicles and work on progress of construction: As at 31st March 2011 and 2010, the Company and its subsidiaries had Land, plant and equipments - net of Baht 332.70 million (or 22.29 percent of total assets) and Baht 341.59 million (or 24.64 percent of total assets) respectively.

### 2.2 Liabilities

The total liabilities of the Company and its subsidiaries as at 31st March 2011 and 2010 stood at Baht 582.22 million and Baht 632.46 million respectively. The major reduction in liabilities was bank overdraft and short-term loans from financial institution and account payables. There were no significant changes in the accounting period.

### 2.3 Shareholders' equity

As at 31st March 2011 and 2010, shareholders' equity was Baht 910.78 million and Baht 753.74 million respectively. The major changes were from the net profit amounting to Baht 152.03 million, reduction by paying out dividend by Baht 48.00 million during the year and recording the minority interest of minority shareholders of a subsidiary by Baht 65.93 million.

Debt to Equity ratio, as at 31st March 2011 and 2010, the ratios were at 0.64 times and 0.84 times respectively.

### 3. Cash Flows

(Unit: Baht million)

Consolidated cash flows statement	As at 31 March 2011	As at 31 March 2010
Net cash from (used in) operating activities	56.39	154.86
Net cash used in investing activities	8.13	-24.99
Net cash from (used in) financing activities	-75.78	-107.91
Effect of exchange rate to cash and cash equivalents	-	-0.11
Net increase (decrease) in cash	-11.26	21.85

For the year ended 31st March 2011, the Company and its subsidiaries generated net positive cash from operating result of Baht 214.99 million which partly used in higher working capital of Baht 92.03 million due to the growth of trade receivable and inventories. The investing activities of Baht 50.67 million were mainly used to invest in machines, equipments and other non-current assets but there was the cash received from sales of investment by Baht 58.80 million. Therefore the net investing activities show net positive in cash of Baht 8.13 million. The rest of cash flow was used in financing activities of Baht 24.13 million to pay back short term loans to reduce its interest burden. In total, company had the net decrease in cash flow by 11.26 million baht.

Lohakit Metal Public Company Limited  
and its subsidiaries  
Report and consolidated financial statements  
31 March 2011 and 2010



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## Report of Independent Auditor

To the Shareholders of Lohakit Metal Public Company Limited

I have audited the accompanying consolidated balance sheet of Lohakit Metal Public Company Limited and its subsidiaries as at 31 March 2011, the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended, and the separate financial statements of Lohakit Metal Public Company Limited for the same year. These financial statements are the responsibility of the Company's management as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audit. The consolidated financial statements of Lohakit Metal Public Company Limited and its subsidiaries, and the separate financial statements of Lohakit Metal Public Company Limited for the year ended 31 March 2010, as presented herein for comparative purposes, were audited by another auditor in our firm who expressed an unqualified opinion on those statements under her report dated 26 May 2010.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.



In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lohakit Metal Public Company Limited and its subsidiaries and of Lohakit Metal Public Company Limited as at 31 March 2011, and the results of their operations and cash flows for the year then ended, in accordance with generally accepted accounting principles.

A handwritten signature in black ink, appearing to read 'Gingkarn Atsawarangsalit'.

Gingkarn Atsawarangsalit

Certified Public Accountant (Thailand) No. 4496

Ernst & Young Office Limited

Bangkok: 30 May 2011

**Lohakit Metal Public Company Limited and its subsidiaries**
**Balance sheets**
**As at 31 March 2011 and 2010**

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2011	2010	2011	2010
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	7	33,967,062	45,221,159	16,809,948	37,976,652
Trade accounts receivable					
Related parties	6	3,388,634	3,274,666	86,527,133	125,176,202
Unrelated parties		588,650,489	529,554,808	364,219,531	362,271,014
Less: Allowance fro doubtful accounts		(21,467,485)	(30,008,222)	(20,822,430)	(30,008,222)
Trade accounts receivable - net	8	570,571,638	502,821,252	429,924,234	457,438,994
Inventories - net	9	525,204,522	463,050,633	368,359,587	385,358,600
Short-term loan to and interest receivable					
from related party	6	-	-	116,808,887	90,283,794
Other current assets		13,792,626	16,076,575	13,344,311	10,302,551
<b>Total current assets</b>		<b>1,143,535,848</b>	<b>1,027,169,619</b>	<b>945,246,967</b>	<b>981,360,591</b>
<b>Non-current assets</b>					
Investments in subsidiaries	10	-	-	84,998,600	140,998,600
Investment in associated company	11	7,581,938	6,184,521	4,900,000	4,900,000
Property, plant and equipment - net	12	332,698,567	341,587,887	120,367,552	137,093,651
Intangible assets - net	13	1,851,860	4,035,660	1,254,516	3,186,968
Restricted deposit at financial institution		5,000,000	5,000,000	5,000,000	5,000,000
Other non-current assets		2,338,564	2,225,629	1,863,835	1,862,900
<b>Total non-current assets</b>		<b>349,470,929</b>	<b>359,033,697</b>	<b>218,384,503</b>	<b>293,042,119</b>
<b>Total assets</b>		<b>1,493,006,777</b>	<b>1,386,203,316</b>	<b>1,163,631,470</b>	<b>1,274,402,710</b>

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

**Lohakit Metal Public Company Limited and its subsidiaries****Balance sheets (continued)****As at 31 March 2011 and 2010**

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2011	2010	2011	2010
<b>Liabilities and shareholders' equity</b>					
<b>Current liabilities</b>					
Short-term loans from financial institutions	14	307,047,265	323,194,228	165,443,638	273,924,166
Trade accounts payable - unrelated parties		223,507,326	262,403,967	137,527,722	194,049,430
Current portion of long-term loans	15	-	5,500,000	-	-
Current portion of financial lease payables	16	2,301,268	3,778,665	1,542,251	2,786,140
Corporate income tax payable		13,284,888	4,585,074	13,243,742	4,585,074
Other accounts payable - related parties	6	4,626,872	3,544,550	-	-
Other current liabilities	6	28,110,713	25,807,313	19,929,534	13,713,496
<b>Total current liabilities</b>		<b>578,878,332</b>	<b>628,813,797</b>	<b>337,686,887</b>	<b>489,058,306</b>
<b>Non-current liabilities</b>					
Financial lease payables	16	3,343,599	3,646,847	1,865,920	3,328,283
Other non-current liabilities		1,400	1,400	-	-
<b>Total non-current liabilities</b>		<b>3,344,999</b>	<b>3,648,247</b>	<b>1,865,920</b>	<b>3,328,283</b>
<b>Total liabilities</b>		<b>582,223,331</b>	<b>632,462,044</b>	<b>339,552,807</b>	<b>492,386,589</b>

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

**Lohakit Metal Public Company Limited and its subsidiaries**

**Balance sheets (continued)**

**As at 31 March 2011 and 2010**

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2011	2010	2011	2010
<b>Shareholders' equity</b>					
Share capital					
Registered					
320,000,000 ordinary shares of Baht 1 each		320,000,000	320,000,000	320,000,000	320,000,000
Issued and paid-up					
320,000,000 ordinary shares of Baht 1 each		320,000,000	320,000,000	320,000,000	320,000,000
Premium on ordinary shares		330,672,600	330,672,600	330,672,600	330,672,600
Retained earnings					
Appropriated - statutory reserve	17	18,427,585	13,924,457	18,427,585	13,924,457
Unappropriated		175,752,528	89,144,215	154,978,478	117,419,064
Equity attributable to the Company's shareholders		844,852,713	753,741,272	824,078,663	782,016,121
Minority interest - equity attributable to minority shareholders of subsidiary					
		65,930,733	-	-	-
<b>Total shareholders' equity</b>		<b>910,783,446</b>	<b>753,741,272</b>	<b>824,078,663</b>	<b>782,016,121</b>
<b>Total liabilities and shareholders' equity</b>		<b>1,493,006,777</b>	<b>1,386,203,316</b>	<b>1,163,631,470</b>	<b>1,274,402,710</b>

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

Directors



## Lohakit Metal Public Company Limited and its subsidiaries

## Income statements

For the years ended 31 March 2011 and 2010

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2011	2010	2011	2010
<b>Revenues</b>					
Sales and service income		2,415,003,039	1,970,408,138	1,910,844,084	1,681,992,427
Other income		39,349,029	30,075,278	35,154,082	31,054,171
<b>Total revenues</b>		<u>2,454,352,068</u>	<u>2,000,483,416</u>	<u>1,945,998,166</u>	<u>1,713,046,598</u>
<b>Expenses</b>					
Cost of sales and services		2,137,159,010	1,782,522,511	1,726,745,793	1,546,306,818
Selling expenses		57,762,275	40,061,450	38,009,624	25,639,964
Administrative expenses		34,371,831	31,255,940	29,663,196	28,870,244
Management benefit expenses	6	28,409,545	23,924,795	18,671,888	17,172,571
<b>Total expenses</b>		<u>2,257,702,661</u>	<u>1,877,764,696</u>	<u>1,813,090,501</u>	<u>1,617,989,597</u>
<b>Income before share of income from investment</b>					
<b>in associate, finance cost and corporate income tax</b>		196,649,407	122,718,720	132,907,665	95,057,001
Share of income from investment in associate		1,397,417	1,284,521	-	-
<b>Income before finance cost and corporate income tax</b>		<u>198,046,824</u>	<u>124,003,241</u>	<u>132,907,665</u>	<u>95,057,001</u>
Finance cost		(16,852,133)	(13,920,552)	(13,737,932)	(11,655,297)
<b>Income before corporate income tax</b>		<u>181,194,691</u>	<u>110,082,689</u>	<u>119,169,733</u>	<u>83,401,704</u>
Corporate income tax	19	(29,165,373)	(8,810,977)	(29,107,191)	(8,810,977)
<b>Net income for the year</b>		<u>152,029,318</u>	<u>101,271,712</u>	<u>90,062,542</u>	<u>74,590,727</u>
<b>Net income attributable to:</b>					
Equity holders of the parent		139,111,441	101,271,712	90,062,542	74,590,727
Minority interests of the subsidiary		12,917,877	-	-	-
		<u>152,029,318</u>	<u>101,271,712</u>		
<b>Earnings per share</b>					
21					
Basic earnings per share					
Net income attributable to equity holders of the parent		0.43	0.32	0.28	0.23

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

Lohakit Metal Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity

For the years ended 31 March 2011 and 2010

(Unit: Baht)

	Consolidated financial statements						
	Equity attributable to the parent's shareholders				Total equity attributable to the parent's shareholders	Minority interest - equity attributable to minority shareholders of subsidiary	
	Issued and fully paid-up share capital	Premium on ordinary shares	Retained earnings			Total	
			Appropriated	Unappropriated			
<b>Balance as at 31 March 2009</b>	320,000,000	330,672,600	10,194,921	(8,397,961)	652,469,560	-	652,469,560
Net income for the year	-	-	-	101,271,712	101,271,712	-	101,271,712
<b>Total income for the year</b>	-	-	-	101,271,712	101,271,712	-	101,271,712
Unappropriated retained earnings transferred to statutory reserve (Note 17)	-	-	3,729,536	(3,729,536)	-	-	-
<b>Balance as at 31 March 2010</b>	320,000,000	330,672,600	13,924,457	89,144,215	753,741,272	-	753,741,272
<b>Balance as at 31 March 2010</b>	320,000,000	330,672,600	13,924,457	89,144,215	753,741,272	-	753,741,272
Net income for the year	-	-	-	139,111,441	139,111,441	12,917,877	152,029,318
<b>Total income for the year</b>	-	-	-	139,111,441	139,111,441	12,917,877	152,029,318
Dividend paid (Note 24)	-	-	-	(48,000,000)	(48,000,000)	-	(48,000,000)
Unappropriated retained earnings transferred to statutory reserve (Note 17)	-	-	4,503,128	(4,503,128)	-	-	-
Minority interest - equity attributable to minority shareholders of subsidiary	-	-	-	-	-	53,012,856	53,012,856
<b>Balance as at 31 March 2011</b>	320,000,000	330,672,600	18,427,585	175,752,528	844,852,713	65,930,733	910,783,446

## Lohakit Metal Public Company Limited and its subsidiaries

## Statements of changes in shareholders' equity (continued)

For the years ended 31 March 2011 and 2010

(Unit: Baht)

	Separate financial statements				Total
	Issued and fully	Premium on ordinary shares	Retained earnings		
	paid-up share capital		Appropriated	Unappropriated	
<b>Balance as at 31 March 2009</b>	320,000,000	330,672,600	10,194,921	46,557,873	707,425,394
Net income for the year	-	-	-	74,590,727	74,590,727
<b>Total income for the year</b>	-	-	-	74,590,727	74,590,727
Unappropriated retained earnings transferred to statutory reserve (Note 17)	-	-	3,729,536	(3,729,536)	-
<b>Balance as at 31 March 2010</b>	320,000,000	330,672,600	13,924,457	117,419,064	782,016,121
<b>Balance as at 31 March 2010</b>	320,000,000	330,672,600	13,924,457	117,419,064	782,016,121
Net income for the year	-	-	-	90,062,542	90,062,542
<b>Total income for the year</b>	-	-	-	90,062,542	90,062,542
Dividend paid (Note 24)	-	-	-	(48,000,000)	(48,000,000)
Unappropriated retained earnings transferred to statutory reserve (Note 17)	-	-	4,503,128	(4,503,128)	-
<b>Balance as at 31 March 2011</b>	320,000,000	330,672,600	18,427,585	154,978,478	824,078,663

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

**Lohakit Metal Public Company Limited and its subsidiaries**
**Statements of cash flows**
**For the years ended 31 March 2011 and 2010**

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
<b>Cash flows from operating activities</b>				
Net income before tax	181,194,691	110,082,689	119,169,733	83,401,704
Adjustments to reconcile net income before tax to net cash provided by (used in) operating activities:				
Depreciation	63,167,621	58,501,793	29,250,336	30,104,394
Amortisation	2,507,455	2,649,074	2,076,452	2,234,592
Reversal of allowance for doubtful accounts	(8,540,737)	(2,752,716)	(9,185,792)	(2,752,716)
Bad debt expense	12,567,240	-	12,567,240	-
Reversal of allowance of diminution in value of inventories	(8,910,929)	(38,420,696)	(9,136,378)	(38,279,200)
Gain on sale of investment	(5,787,144)	-	(2,800,000)	-
Gain on sales of equipment	(2,020,506)	(617,222)	(2,020,506)	(511,726)
Unrealised (gain) loss on foreign exchange	2,742,781	(2,510,428)	2,513,553	(2,243,686)
Share of income from investment in associate	(1,397,417)	(1,284,521)	-	-
Interest income	(40,683)	(102,600)	(6,530,153)	(5,380,549)
Interest expense	15,146,796	13,496,496	12,683,504	10,699,315
Income from operating activities before changes in operating assets and liabilities	250,629,168	139,041,869	148,587,989	77,272,128
Decrease (increase) in operating assets				
Trade accounts receivable - related parties	(113,968)	1,814,094	38,649,068	(48,012,296)
Trade accounts receivable - unrelated parties	(71,629,048)	(193,927,280)	(14,464,418)	(98,722,294)
Inventories	(53,242,960)	41,341,093	26,135,393	84,256,865
Other current assets	2,267,349	176,454	(3,041,761)	8,638,296
Other non-current assets	(112,935)	101,700	(935)	101,700
Increase (decrease) in operating liabilities				
Trade accounts payable - unrelated parties	(39,182,110)	175,851,743	(56,828,444)	113,394,551
Other accounts payable - related parties	1,082,322	3,544,550	-	-
Other current liabilities	2,332,993	4,193,792	6,348,475	(6,650,491)
Cash flows from operating activities	92,030,811	172,138,015	145,385,367	130,278,459
Cash paid for interest expenses	(15,207,914)	(12,961,450)	(12,833,313)	(10,978,291)
Cash paid for corporate income tax	(20,434,806)	(4,316,618)	(20,448,523)	(4,225,903)
<b>Net cash from operating activities</b>	<b>56,388,091</b>	<b>154,859,947</b>	<b>112,103,531</b>	<b>115,074,265</b>

**Lohakit Metal Public Company Limited and its subsidiaries****Statements of cash flows (continued)****For the years ended 31 March 2011 and 2010**

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<b>Cash flows from investing activities</b>				
Decrease (increase) in short-term loan to related party	-	-	(26,000,000)	1,000,000
Interest income	40,682	102,600	6,005,059	5,467,385
Cash paid for investment in associated company	-	(4,900,000)	-	(4,900,000)
Cash received from sale of investment in subsidiary	58,800,000	-	58,800,000	-
Acquisition of equipment	(52,406,615)	(21,170,548)	(12,524,244)	(4,113,324)
Acquisition of intangible assets	(323,655)	(128,927)	(144,000)	-
Proceeds from sales of equipment	2,020,512	1,105,191	2,020,512	511,733
<b>Net cash from (used in) investing activities</b>	<b>8,130,924</b>	<b>(24,991,684)</b>	<b>28,157,327</b>	<b>(2,034,206)</b>
<b>Cash flows from financing activities</b>				
Decrease in short-term loans from financial institutions	(18,630,083)	(72,824,720)	(110,730,618)	(89,557,176)
Repayment of long-term loans	(5,500,000)	(31,000,000)	-	(5,000,000)
Dividend paid	(48,000,000)	-	(48,000,000)	-
Repayment of financial lease payables	(3,652,337)	(4,088,482)	(2,706,252)	(2,655,478)
<b>Net cash used in financing activities</b>	<b>(75,782,420)</b>	<b>(107,913,202)</b>	<b>(161,436,870)</b>	<b>(97,212,654)</b>
<b>Effect of exchange rate to cash and cash equivalents</b>	<b>9,308</b>	<b>(108,954)</b>	<b>9,308</b>	<b>(108,957)</b>
Net increase (decrease) in cash and cash equivalents	(11,254,097)	21,846,107	(21,166,704)	15,718,448
Cash and cash equivalents at beginning of year	45,221,159	23,375,052	37,976,652	22,258,204
<b>Cash and cash equivalents at end of year</b>	<b>33,967,062</b>	<b>45,221,159</b>	<b>16,809,948</b>	<b>37,976,652</b>
Supplemental cash flows information				
Non-cash items:				
Motor vehicles purchased under financial lease agreement	2,073,154	6,590,000	-	6,590,000

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

**Lohakit Metal Public Company Limited and its subsidiaries****Notes to financial statements****For the years ended 31 March 2011 and 2010****1. General information****1.1 Corporate information**

Lohakit Metal Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. The Company is principally engaged in the cutting and distribution of iron and metal products. The registered office of the Company is at 66/1 Moo 6 Suksawad Road, Bangjak, Prapradaeng, Samutprakarn.

**2. Basis of preparation**

- 2.1 The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Professions Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 30 January 2009, issued under the Accounting Act B.E. 2543.

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

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

**2.2 Basis of consolidation**

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

Company's name	Nature of business	Country of incorporation	Percentage of shareholding		Assets as a percentage to the consolidated total assets as at 31 March		Revenues as a percentage to the consolidated total revenues for the year ended 31 March	
			2011	2010	2011	2010	2011	2010
			Percent	Percent	Percent	Percent	Percent	Percent
Auto Metal Company Limited	Production, smelting and assembly for all types of metal	Thailand	60	100	36	29	24	19
Alternative Stainless Company Limited	Distribution of metal products	Thailand	100	100	5	5	11	12

- b) Subsidiaries are fully consolidated as from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
- c) The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Company.
- d) Material balances and transactions between the Company and its subsidiaries have been eliminated from the consolidated financial statements.

2.3 The separate financial statements, which present investments in subsidiaries presented under the cost method, have been prepared solely for the benefit of the public.

### 3. Adoption of new accounting standards

3.1 During the current year, the Federation of Accounting Professions ("FAP") issued a number of revised and new accounting standards (TAS, TFRS, TFRIC, SIC) as listed below.

- a) Accounting standards that are effective for fiscal years beginning on or after 1 January 2011 (except Framework for the Preparation and Presentation of Financial Statements, which is immediately effective):

**Framework for the Preparation and Presentation of Financial Statements**

(revised 2009)

TAS 1 (revised 2009)	Presentation of Financial Statements
TAS 2 (revised 2009)	Inventories
TAS 7 (revised 2009)	Statement of Cash Flows
TAS 8 (revised 2009)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2009)	Events after the Reporting Period
TAS 11 (revised 2009)	Construction Contracts
TAS 16 (revised 2009)	Property, Plant and Equipment
TAS 17 (revised 2009)	Leases
TAS 18 (revised 2009)	Revenue
TAS 19	Employee Benefits
TAS 23 (revised 2009)	Borrowing Costs
TAS 24 (revised 2009)	Related Party Disclosures
TAS 26	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2009)	Consolidated and Separate Financial Statements
TAS 28 (revised 2009)	Investments in Associates
TAS 29	Financial Reporting in Hyperinflationary Economies
TAS 31 (revised 2009)	Interests in Joint Ventures
TAS 33 (revised 2009)	Earnings per Share
TAS 34 (revised 2009)	Interim Financial Reporting
TAS 36 (revised 2009)	Impairment of Assets
TAS 37 (revised 2009)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2009)	Intangible Assets
TAS 40 (revised 2009)	Investment Property
TFRS 2	Share-Based Payment
TFRS 3 (revised 2009)	Business Combinations
TFRS 5 (revised 2009)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6	Exploration for and Evaluation of Mineral Resources
TFRIC 15	Agreements for the Construction of Real Estate
SIC 31	Revenue - Barter Transactions Involving Advertising Services



b) Accounting standards that are effective for fiscal years beginning on or after 1 January 2013:

TAS 12	Income Taxes
TAS 20 (revised 2009)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates
SIC 10	Government Assistance - No Specific Relation to Operating Activities
SIC 21	Income Taxes - Recovery of Revalued Non-Depreciable Assets
SIC 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders

The Company's management believes that these accounting standards will not have any significant impact on the financial statements for the year when they are initially applied, except for the following accounting standards which management expects the impact on the financial statements in the year when they are adopted.

#### **TAS 19 Employee Benefits**

This accounting standard requires employee benefits to be recognised as expense in the period in which the service is performed by the employee. In particular, an entity has to evaluate and make a provision for post-employment benefits using actuarial techniques. Currently, the Company accounts for such employee benefits when they are incurred.

At present, the management is evaluating the impact on the financial statements in the year when this standard is adopted.

#### **TAS 12 Income Taxes**

This accounting standard requires an entity to identify temporary differences, which are differences between the carrying amount of an asset or liability in the accounting records and its tax base, and to recognise deferred tax assets and liabilities under the stipulated guidelines.

At present, the management is evaluating the impact on the financial statements in the year when this standard is adopted.

#### **4. Significant accounting policies**

##### **4.1 Revenue recognition**

###### *Sales of goods*

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

###### *Rendering of services*

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

##### **4.2 Cash and cash equivalents**

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

##### **4.3 Trade accounts receivable**

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

##### **4.4 Inventories**

Finished goods and work in process are valued at the lower of cost (weighted average basis) and net realisable value. Cost includes all production costs and attributable factory overheads.

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

Allowance for stock obsolescence is made for damaged, slow-moving and obsolete stock.

#### **4.5 Investments**

Investment in associated company is accounted for in the consolidated financial statements using the equity method.

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

#### **4.6 Property, plant, equipment/Depreciation**

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

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

Buildings and fixture	- 20 years
Machinery and equipment	- 5 years
Furniture and office equipment	- 5 years
Motor vehicles	- 5 years

Depreciation is included in determining income.

No depreciation is provided on land, land improvement and assets under installation and under construction.

#### **4.7 Borrowing costs**

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

#### **4.8 Intangible assets**

Intangible assets are initially recognised at cost. Following the initial recognition, the intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses (if any).

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

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

Computer software	5 years
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#### **4.9 Related party transactions**

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

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

#### **4.10 Long-term leases**

Leases of motor vehicles which transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in other long-term payables, while the interest element is charged to the income statements over the lease period. The assets acquired under finance leases are depreciated over the useful life of the asset.

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

#### **4.11 Foreign currencies**

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

Gains and losses on exchange are included in determining income.

#### **4.12 Impairment of assets**

At each reporting date, the Company and its subsidiaries perform impairment reviews in respect of the property, plant and equipment and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount. In determining 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. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that the Company and its subsidiaries could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

An impairment loss is recognised in the income statement.

#### **4.13 Employee benefits**

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

#### **4.14 Provisions**

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

#### **4.15 Income tax**

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

## **5. Significant accounting judgements and estimates**

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

### **Leases**

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgement regarding whether significant risk and rewards of ownership of the leased asset have been transferred, taking into consideration terms and conditions of the arrangement.

### **Allowance for doubtful accounts**

In determining an allowance for doubtful accounts, the management needs to make judgement and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

### **Property plant and equipment/Depreciation**

In determining depreciation of plant and equipment, the management is required to make estimates of the useful lives and salvage values of the Company's and its subsidiaries' plant and equipment and to review estimate useful lives and salvage values when there are any changes.

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

### **Intangible assets**

The initial recognition and measurement of intangible assets, and subsequent impairment testing, require management to make estimates of cash flows to be generated by the asset or the cash generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows.

## 6. Related party transactions

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

(Unit: Baht)

	For the years ended 31 March				Transfer pricing policy
	Consolidated		Separate		
	financial statements	financial statements	financial statements	financial statements	
	2011	2010	2011	2010	
<u>Transactions with subsidiaries</u>					
(Eliminate from the consolidated financial statements)					
Sales of goods and service income	-	-	334,389,763	327,721,538	Sale of goods: Market price less discount 2%, and cost plus a margin at rate of 5% Service income: Closed to the market price
Interest income	-	-	6,489,471	5,277,964	MLR per annum
Service expenses	-	-	-	243,280	Closed to the market price
<u>Transactions with related party</u>					
Sales of goods and service Income	54,388,294	50,132,109	41,427,123	41,574,581	Sales of goods Closed to the net selling price that is sold to major customers Service income: Closed to the market price
Rental income	300,000	240,000	300,000	240,000	Fixed fee per month
Commission expenses	9,080,250	7,685,286	143,738	186,860	Not over 2% of sales

As at 31 March 2011 and 2010, the balances of the accounts between the Company and those related companies are as follows:

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
<u>Trade accounts receivable - related parties</u>				
<b>Subsidiaries</b>				
Auto Metal Company Limited	-	-	20,629,223	62,536,020
Alternative Stainless Company Limited (Formerly known as "D-Stainless Company Limited")	-	-	62,868,139	60,555,249
	-	-	83,497,362	123,091,269

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
<b>Related company</b>				
Ngeck Seng Chiang Metal Company Limited	3,388,634	3,274,666	3,029,371	2,084,933
Total trade accounts receivable - related parties	<u>3,388,634</u>	<u>3,274,666</u>	<u>86,527,133</u>	<u>125,176,202</u>
<b><u>Short-term loan to and interest receivable from related party</u></b>				
<b>Subsidiary</b>				
Auto Metal Company Limited				
Principal	-	-	115,000,000	89,000,000
Interest receivable	-	-	1,808,887	1,283,794
Total short-term loan to and interest receivable from related party	<u>-</u>	<u>-</u>	<u>116,808,887</u>	<u>90,283,794</u>
<b><u>Other payable - related parties</u></b>				
<b>Related companies</b>				
Mory Industries Inc.	365,248	-	-	-
Mory Lohakit (Thailand) Co., Ltd.	4,261,624	3,544,550	-	-
Total other payable - related parties	<u>4,626,872</u>	<u>3,544,550</u>	<u>-</u>	<u>-</u>
<b><u>Accrued commission - related companies</u></b>				
(included in other current liabilities)				
Ngeck Seng Chiang Metal Company Limited	104,312	79,673	104,312	79,673
Mory Lohakit (Thailand) Co., Ltd.	-	378	-	378
Total	<u>104,312</u>	<u>80,051</u>	<u>104,312</u>	<u>80,051</u>

During the year ended 31 March 2011, movements of short-term loan to related party were as follows:

(Unit: Baht)

	Balance as at	During the year		Balance as at
	1 April 2010	Increase	Decrease	31 March 2011
<b><u>Short-term loan to related party</u></b>				
<b>Subsidiary</b>				
Auto Metal Company Limited	89,000,000	54,000,000	(28,000,000)	115,000,000

#### Directors and management's benefits

In 2011, the Company and its subsidiaries had salaries, bonuses and meeting allowances of their directors and management recognised as expenses totaling Baht 28 million (Separate financial statements: Baht 19 million) (2010: Baht 24 million, Separate financial statements: Baht 17 million).



## 7. Cash and cash equivalents

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Cash	85,000	85,000	55,000	55,000
Bank deposits	33,882,062	45,136,159	16,754,948	37,921,652
<b>Total</b>	<b>33,967,062</b>	<b>45,221,159</b>	<b>16,809,948</b>	<b>37,976,652</b>

As at 31 March 2011, bank deposits in saving accounts and fixed deposits carried interests between 0.25 and 1.10 percent per annum (2009: between 0.25 and 0.5 percent per annum).

## 8. Trade accounts receivable

The balances of trade accounts receivable as at 31 March 2011 and 2010, aged on the basis of due dates, are summarised below.

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<b>Trade accounts receivable - related parties</b>				
<b><u>Age of receivables</u></b>				
Not yet due	1,192,675	693,092	62,511,356	63,754,840
Past due				
Not over 3 months	2,195,959	2,581,574	24,015,777	42,016,421
Over 3 months to 6 months	-	-	-	19,404,941
Trade accounts receivable - related parties	<u>3,388,634</u>	<u>3,274,666</u>	<u>86,527,133</u>	<u>125,176,202</u>
<b>Trade accounts receivable - unrelated companies</b>				
<b><u>Age of receivables</u></b>				
Not yet due	435,806,477	352,549,068	265,601,653	237,140,140
Past due				
Not over 3 months	131,376,527	146,982,907	77,795,448	95,108,041
Over 3 months to 6 months	-	3,070	-	3,070
Over 6 months to 12 months	4,038,215	26,322	3,393,160	26,322
Over 12 months	17,429,270	29,993,441	17,429,270	29,993,441
Total	<u>588,650,489</u>	<u>529,554,808</u>	<u>364,219,531</u>	<u>362,271,014</u>
Less: Allowance for doubtful accounts	<u>(21,467,485)</u>	<u>(30,008,222)</u>	<u>(20,822,430)</u>	<u>(30,008,222)</u>
Trade accounts receivable - unrelated companies, net	<u>567,183,004</u>	<u>499,546,586</u>	<u>343,397,101</u>	<u>332,262,792</u>
<b>Total trade accounts receivable - net</b>	<b><u>570,571,638</u></b>	<b><u>502,821,252</u></b>	<b><u>429,924,234</u></b>	<b><u>457,438,994</u></b>

## 9. Inventories

(Unit: Baht)

	Consolidated financial statements					
	Cost		Allowance for diminution in value of inventories		Inventories-net	
	2011	2010	2011	2010	2011	2010
Finished goods	205,599,965	200,465,712	(17,581,100)	(21,945,095)	188,018,865	178,520,617
Raw materials	293,699,317	230,342,554	(5,725,888)	(10,272,822)	287,973,429	220,069,732
Supplies	6,640,220	3,020,354	-	-	6,640,220	3,020,354
Goods in transit	42,572,008	61,439,930	-	-	42,572,008	61,439,930
<b>Total</b>	<b>548,511,510</b>	<b>495,268,550</b>	<b>(23,306,988)</b>	<b>(32,217,917)</b>	<b>525,204,522</b>	<b>463,050,633</b>

(Unit: Baht)

	Separate financial statements					
	Cost		Allowance for diminution in value of inventories		Inventories-net	
	2011	2010	2011	2010	2011	2010
Finished goods	161,202,880	163,590,158	(17,277,312)	(21,866,756)	143,925,568	141,723,402
Raw materials	182,512,869	200,665,974	(5,725,888)	(10,272,822)	176,786,981	190,393,152
Supplies	6,640,220	3,020,354	-	-	6,640,220	3,020,354
Goods in transit	41,006,818	50,221,692	-	-	41,006,818	50,221,692
<b>Total</b>	<b>391,362,787</b>	<b>417,498,178</b>	<b>(23,003,200)</b>	<b>(32,139,578)</b>	<b>368,359,587</b>	<b>385,358,600</b>

## 10. Investments in subsidiaries

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

(Unit: Baht)

Company's name	Paid-up capital		Shareholding percentage		Cost method	
	2011	2010	2011	2010	2011	2010
	Million Baht	Million Baht	Percent	Percent		
Auto Metal Company Limited	140	140	60	100	83,999,300	139,999,300
Alternative Stainless Company Limited	1	1	100	100	999,300	999,300
<b>Total</b>					<b>84,998,600</b>	<b>140,998,600</b>

On 1 October 2009 D-Stainless Company Limited registered with the Ministry of Commerce for the change of its name to "Alternative Stainless Company Limited".

On 1 October 2010, the Company entered into the “Share Acquisition and Shareholders Agreement” with Mory Industries Inc., a company incorporated in Japan, for the sale of investment in 560,000 ordinary shares of Auto Metal Co., Ltd. (which represented a 40% equity interest), at the price of 105 Baht per share. The Board of Directors approved this transaction at the meeting on 2 September 2010. The Company recognised gain on sale of investment amounting to Baht 5.8 million in the consolidated income statements for the current period (Separate income statements: Baht 2.8 million).

## 11. Investments in associated company

In April 2009, the Company invested in the ordinary shares of Mory Lohakit (Thailand) Co., Ltd.

(Unit: Baht)

Company's name	Nature of business	Country of incorporation	Shareholding		Separate financial statements		Consolidated financial statements	
			percentage		Cost method		Carrying amount	
			2011	2010	2011	2010	based on equity method	
			%	%			2011	2010
Mory Lohakit (Thailand) Co., Ltd.	Agent	Thailand	49	49	4,900,000	4,900,000	7,581,938	6,184,521

## 12. Property, plant and equipment

(Unit: Baht)

	Consolidated financial statements						Total
	Land and land improvement	Buildings and fixture	Machinery and equipment	Furniture and office equipment	Motor Vehicles	Assets under installation and under construction	
<b>Cost</b>							
31 March 2010	94,260,639	185,426,595	501,201,216	14,593,910	53,858,975	7,288,703	856,630,038
Acquisitions	6,742,000	556,923	43,067,744	1,746,016	2,165,684	-	54,278,367
Disposals	-	-	(10,400,073)	(1,014,419)	(65,420)	-	(11,479,912)
Transfer in (out)	-	-	7,288,703	-	-	(7,288,703)	-
31 March 2011	101,002,639	185,983,518	541,157,590	15,325,507	55,959,239	-	899,428,493
<b>Accumulated depreciation</b>							
31 March 2010	-	89,679,464	374,071,275	13,150,100	38,141,312	-	515,042,151
Depreciation for the year	-	8,768,157	47,470,174	886,874	6,042,416	-	63,167,621
Depreciation for disposals	-	-	(10,400,067)	(1,014,359)	(65,420)	-	(11,479,846)
31 March 2011	-	98,447,621	411,141,382	13,022,615	44,118,308	-	566,729,926
<b>Net book value</b>							
31 March 2010	94,260,639	95,747,131	127,129,941	1,443,810	15,717,663	7,288,703	341,587,887
31 March 2011	101,002,639	87,535,897	130,016,208	2,302,892	11,840,931	-	332,698,567
<b>Depreciation for the year</b>							
2010 (Baht 53.3 million included in manufacturing cost, and the balance in selling and administrative expenses)							58,501,793
2011 (Baht 57.8 million included in manufacturing cost, and the balance in selling and administrative expenses)							63,167,621

(Unit: Baht)

	Separate financial statements					Total
	Land and land improvement	Buildings and fixtures	Machinery and equipment	Furniture and office equipment	Motor vehicles	
<b>Cost</b>						
31 March 2010	73,061,639	107,224,390	331,372,997	12,868,891	46,021,277	570,549,194
Acquisitions	-	556,923	10,821,098	1,143,752	2,530	12,524,303
Disposals	-	-	(10,400,073)	(1,014,419)	(65,420)	(11,479,912)
31 March 2011	<u>73,061,639</u>	<u>107,781,313</u>	<u>331,794,022</u>	<u>12,998,224</u>	<u>45,958,387</u>	<u>571,593,585</u>
<b>Accumulated depreciation</b>						
31 March 2010	-	80,089,088	308,161,783	11,935,714	33,268,958	433,455,543
Depreciation for the year	-	4,858,047	19,394,683	499,012	4,498,594	29,250,336
Depreciation for disposals	-	-	(10,400,067)	(1,014,359)	(65,420)	(11,479,846)
31 March 2011	<u>-</u>	<u>84,947,135</u>	<u>317,156,399</u>	<u>11,420,367</u>	<u>37,702,132</u>	<u>451,226,033</u>
<b>Net book value</b>						
31 March 2010	<u>73,061,639</u>	<u>27,135,302</u>	<u>23,211,214</u>	<u>933,177</u>	<u>12,752,319</u>	<u>137,093,651</u>
31 March 2011	<u>73,061,639</u>	<u>22,834,178</u>	<u>14,637,623</u>	<u>1,577,857</u>	<u>8,256,255</u>	<u>120,367,552</u>
<b>Depreciation for the year</b>						
2010 (Baht 25.4 million included in manufacturing cost, and the balance in selling and administrative expenses)						<u>30,104,394</u>
2011 (Baht 24.6 million included in manufacturing cost, and the balance in selling and administrative expenses)						<u>29,250,336</u>

The subsidiary's new factory building completely constructed in September 2009 cost approximately Baht 34.7 million. Construction of the factory building has been financed with a loan from the Company and borrowing costs totaling approximately Baht 0.81 million were capitalised during the year ended 31 March 2010. The weighted average rate used to determine the amount of borrowing costs eligible for capitalisation was MLR.

Motor vehicles have been pledged as collateral against liabilities under finance lease agreements, amounting to Baht 9.3 million (31 March 2010: Baht 12 million) (Separate financial statements: Baht 6.2 million, 31 March 2009: Baht 10 million).

As at 31 March 2011, certain equipment items have been fully depreciated but are still in use. The gross carrying amount (before deducting accumulated depreciation) of those assets amounted to approximately Baht 359.1 million (31 March 2010: Baht 273 million).

The Company and its subsidiary have mortgaged machinery with carrying value as at 31 March 2011 amounting to Baht 51.4 million (31 March 2010: Baht 65 million) (Separate financial statements: Baht 0.2 million, 31 March 2010: Baht 2 million) and mortgaged all of their land with structures thereon with banks to secure loans and other credit facilities granted to the Company and its subsidiary by the banks.

**13. Intangible assets**

Details of intangible assets which are computer software are as follows:

(Unit: Baht)

	Consolidated financial statements	Separate financial statements
<b>Cost:</b>		
At 1 April 2009	13,755,263	11,755,263
Acquisition	128,927	-
<b>At 31 March 2010</b>	<b>13,884,190</b>	<b>11,755,263</b>
Acquisition	323,655	144,000
<b>At 31 March 2011</b>	<b>14,207,845</b>	<b>11,899,263</b>
<b>Amortisation</b>		
At 1 April 2009	(7,199,456)	(6,333,703)
Amortisation	(2,649,074)	(2,234,592)
<b>At 31 March 2010</b>	<b>(9,848,530)</b>	<b>(8,568,295)</b>
Amortisation	(2,507,455)	(2,076,452)
<b>At 31 March 2010</b>	<b>(12,355,985)</b>	<b>(10,644,747)</b>
<b>Net book value:</b>		
At 31 March 2010	4,035,660	3,186,968
At 31 March 2011	1,851,860	1,254,516

**14. Short-term loans from financial institutions**

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Short-term loans from banks	90,000,000	110,000,000	50,000,000	80,000,000
Trust receipts	217,047,265	213,194,228	115,443,638	193,924,166
	<u>307,047,265</u>	<u>323,194,228</u>	<u>165,443,638</u>	<u>273,924,166</u>

Short-term loans from banks represent promissory notes maturing within 1 month and carrying interest at rates of 4.20% to 4.40% per annum (31 March 2010: 3.55% to 3.56% per annum).

Bank overdrafts, short-term loans and trust receipts facilities are secured by the mortgage of the Company's and its subsidiary's land with structures thereon and machinery, as described in Note 12.

### 15. Long-term loans

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Long-term loans	-	5,500,000	-	-
Less: Current portion	-	(5,500,000)	-	-
Long-term portion	-	-	-	-

The long-term loan of the subsidiary of Baht 130 million was obtained from a local bank and carries interest rate at MLR per annum. This loan was to be repaid in quarterly installments of Baht 6.5 million for the first to seventeenth installment, Baht of 9.5 million for the eighteenth installment and Baht of 10 million for the nineteenth installment, commencing from February 2007. The subsidiary repaid this loan in advance in December 2007 amounting to Baht 40 million. The subsidiary repaid the loan in full in June 2010. It was secured by the mortgage of the subsidiary's land with structures thereon and machinery as described in Note 12, and a guarantee provided by the subsidiary's director. The loan agreement contained certain covenants, relating to matters such as the maintenance of certain financial ratios.

### 16. Liabilities under finance lease agreements

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Liabilities under finance lease agreements	6,211,780	8,226,632	3,675,953	6,864,986
Less : Deferred interest expenses	(566,913)	(801,120)	(267,782)	(750,563)
Total	5,644,867	7,425,512	3,408,171	6,114,423
Less: Portion due within one year	(2,301,268)	(3,778,665)	(1,542,251)	(2,786,140)
Liabilities under finance lease agreements - net of current portion	3,343,599	3,646,847	1,865,920	3,328,283

The Company has entered into the finance lease agreements with leasing companies for rental of motor vehicles for use in its operation, whereby it is committed to pay rental on a monthly basis. The terms of the agreements are generally 3 years.

As at 31 March 2011, Future minimum lease payments required under the finance lease agreements were as follows:

(Unit: Baht)

	Less than		Total
	1 year	1-3 years	
Future minimum lease payments	2,301,268	3,343,599	5,644,867
Deferred interest expenses	399,658	167,255	566,913
Present value of future minimum lease payments	<u>2,700,926</u>	<u>3,510,854</u>	<u>6,211,780</u>

During the year ended 31 March 2011, the Company recognised interest expenses related to the lease agreements of Baht 0.58 million in the income statement.

#### 17. Statutory reserve

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

As at 31 March 2011, the Company has transferred net income amounting to Baht 4.5 million (2010: Baht 3.7 million) to the statutory reserve.

#### 18. Expenses by nature

Significant expenses by nature are as follows:

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Salary and wages and other employee benefits	98,065,548	73,509,932	64,766,521	54,274,650
Depreciation expenses	63,167,621	58,501,793	29,250,336	30,104,394
Amortisation expenses	2,507,455	2,649,074	2,076,453	2,234,592
Raw materials used	1,964,808,661	1,652,836,211	1,626,665,824	1,443,052,878
Consumables used	35,261,392	31,793,702	29,531,167	28,505,285

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Changes in inventories of finished goods and work in progress	(5,134,254)	21,551,386	2,387,278	45,208,956
Reversal of allowance of diminution in value of inventories	(8,910,929)	(38,420,696)	(9,136,379)	(38,279,200)

## 19. Corporate income tax

Corporate income tax of the Company were calculated at the rate of 25 percent on net income for the years, after adding back certain expenses and deducting income which are not disallowable for the tax computation purposes and deducting tax loss brought forward from previous years (if any).

Corporate income tax of one subsidiary has been calculated based on following rate of taxable income.

<u>Taxable profits (Baht)</u>	<u>Tax rate (%)</u>
1 - 150,000	0
150,001 - 1,000,000	15
1,000,001 - 3,000,000	25
Over 3,000,001	30

Corporate income tax of another subsidiary which operates the promoted operations (as described in Note 20) were calculated at the rate of 30 percent on net income of the subsidiary from non-promoted activities, after adding back certain provisions and expenses which are disallowed for tax computation purposes and deducting tax loss brought forward from previous years (if any).

## 20. Promotional Privileges

The Company has received promotional privileges from the Board of Investment for the manufacture of coil center, pursuant to the promotion certificate No. 3007/Wo./2550 issued on 25 May 2007. Subject to certain imposed conditions, the privileges include an exemption from import duty on articles and essential raw materials imported for use in manufacturing for export sales and an exemption from import duty on items imported for re-export, for a period of 1 year commencing as from the first importation date.



A subsidiary has received promotional privileges from the Board of Investment for the manufacture of stainless steel tubes, pursuant to the promotion certificate No. 1407(2)/2548 issued on 23 March 2005. Subject to certain imposed conditions, the privileges include an exemption from corporate income tax for a period of 7 years from the date the promoted activity commenced generating revenues, and any losses incurred during the corporate income tax exemption period may be carried forward to be utilised by the subsidiary as a deduction against net income of future years, for up to 5 years after the expiry of the tax exemption period. In addition, the privileges include an exemption from income tax on dividends received from promoted operations which have been granted corporate income tax exemption, throughout the period for which the tax exemption privilege is granted.

The subsidiary's revenue in 2011 and 2010 were derived from sales and service of BOI promoted products amounted to Baht 575 million and Baht 376 million, respectively.

#### **21. Basic earnings per share**

Basic earnings per share is calculated by dividing net income for the year by the weighted average number of ordinary shares in issue during the year.

#### **22. Segment information**

The Company and its subsidiaries operate in the single industry segment of distribution and provision of service related to iron and metal products and their principal operations are carried on in the single geographic area of Thailand. As a result, all of the revenues, operating income and assets as reflected in these financial statements pertain to the aforementioned industry segment and geographic area. Export sales of the years ended 31 March 2011 and 2010 amounted to Baht 65 million and Baht 63 million, respectively (Separate financial statements: Baht 39 million, 31 March 2010: Baht 53 million).

#### **23. Provident fund**

The Company, its subsidiaries and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Employees, the Company and its subsidiaries contributed to the fund monthly at the rate of 5% of basic salary. The fund, which is managed by SCB Asset Management Co., Ltd. will be paid to employees upon termination in accordance with the fund rules. During the year ended 31 March 2011, the Company and its subsidiaries contributed Baht 1.6 million (31 March 2010: Baht 1.2 million) (Separate financial statements: Baht 1.1 million, 31 March 2010: Baht 1 million) to the fund.

**24. Dividend**

			(Unit: Baht)
Dividends	Approve by	Dividend paid	Dividend per Share
Dividends for the year ended 31 March 2010	Annual General Meeting of Shareholders on 22 July 2010	<u>48,000,000</u>	<u>0.15</u>

**25. Commitments and contingent liabilities**

**25.1 Operating lease commitments**

The Company has entered into a lease agreement in respect of the office building space. The terms of the agreements are generally 3 years.

As at 31 March 2011, future minimum lease payments required under these non-cancellable operating leases contracts were Baht 2.7 million. They were payable within 1 year.

**25.2 Other service commitment**

As at 31 March 2011, the Company had commitments of approximately Baht 0.9 million relating to technical assistance agreement and other service agreement.

**25.3 Credit facilities**

As at 31 March 2011, the Company has been granted credit facilities by various financial institutions for which it has placed collaterals, as follows:-

- Letter of credit, trust receipts, guarantee and short-term loan facilities totaling Baht 1,460.5 million, of which totaling Baht 249.2 million of the utilised amounts are outstanding. These credit facilities are secured by the mortgage of the Company's land with structures thereon and machinery.
- Overdraft facilities of Baht 30 million. The facilities have not yet been utilised. The credit facilities are secured by the mortgage of the Company's land with structures thereon and machinery and the pledge of fixed deposits of the Company.
- Forward exchange contract facility of Baht 1,000 million, of which Baht 29.7 million of utilised amounts is outstanding. This credit facility is secured by the mortgage of the Company's land with structures thereon and machinery.

As at 31 March 2011, the subsidiary has been granted credit facilities by a financial institution for which it has placed collaterals, as follows: -

- Letter of credit, trust receipts, guarantee and short-term loan facilities totaling Baht 200 million, of which totaling Baht 148.6 million of the utilised amounts are outstanding. These credit facilities are secured by the mortgage of the subsidiary's land with structures thereon and machinery.
- Overdraft facility of Baht 10 million, the facility has not yet been utilised. This credit facility is secured by the mortgage of the subsidiary's land with structures thereon.
- Forward exchange contract facility of Baht 200 million, of which Baht 7.4 million of utilised amounts is outstanding. This credit facility is secured by the mortgage of the subsidiary's land with structures thereon and machinery.

#### **25.4 Guarantees**

As at 31 March 2011, there was no outstanding bank guarantees issued by banks on behalf of the Company.

### **26. Financial instruments**

#### **26.1 Financial risk management**

The Company's and subsidiaries' financial instruments, as defined under Thai Accounting Standard No. 107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade accounts receivable, short-term lending, short-term and long-term borrowings and financial lease payables. The financial risks associated with these financial instruments and how they are managed is described below.

##### ***Credit risk***

The Company and subsidiaries are exposed to credit risk primarily with respect to trade accounts receivable and loan. The Company and subsidiaries manage the risk by adopting appropriate credit control policies and procedures and therefore do not expect to incur material financial losses. In addition, the Company and subsidiaries do not have high concentration of credit risk since it has a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of receivables, loans and other receivables as stated in the balance sheet.

**Interest rate risk**

The Company's and subsidiaries' exposure to interest rate risk relates primarily to its cash at banks, bank overdrafts and short-term and long-term borrowings. However, since most of the Company's and subsidiaries' financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate, the interest rate risk is expected to be minimal.

Significant financial assets and liabilities as at 31 March 2011 classified by type of interest rates are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

Consolidated financial statements as at 31 March 2011						
	Fixed interest rate				Total	Interest rate (% p.a.)
	Within		Floating	Non-interest		
	1 year	1 - 5 years	interest rate	bearing		
(Million Baht)						
<b>Financial assets</b>						
Cash and cash equivalents	1.3	-	2.0	30.7	34.0	0.25-1.10
Trade accounts receivable	-	-	-	570.6	570.6	-
Restricted deposit at financial institution	5.0	-	-	-	5.0	0.50
	<u>6.3</u>	<u>-</u>	<u>2.0</u>	<u>601.3</u>	<u>609.6</u>	
<b>Financial liabilities</b>						
Short-term loans from financial institutions	307.0	-	-	-	307.0	4.10-4.69
Trade accounts payable	-	-	-	223.5	223.5	-
Financial lease payables	2.3	3.3	-	-	5.6	4.40-11.76
	<u>309.3</u>	<u>3.3</u>	<u>-</u>	<u>223.5</u>	<u>536.1</u>	

## Separate financial statements as at 31 March 2011

	Fixed interest rate		Floating interest rate	Non-interest bearing	Total	Interest rate (% p.a.)
	Within 1 year	1 - 5 years				
	(Million Baht)					
<b>Financial assets</b>						
Cash and cash equivalents	1.3	-	1.9	13.6	16.8	0.25-0.1.10
Trade accounts receivable	-	-	-	429.9	429.9	-
Short-term loan to related party	-	-	115.0	-	115.0	6.0-6.625
Restricted deposit at financial Institution	5.0	-	-	-	5.0	0.50
<b>Financial liabilities</b>	<b>6.3</b>	<b>-</b>	<b>116.9</b>	<b>443.5</b>	<b>566.7</b>	
Short-term loans from financial institutions	165.4	-	-	-	165.4	4.15-4.63
Trade accounts payable	-	-	-	137.5	137.5	-
Financial lease payables	1.5	1.9	-	-	3.4	5.83-8.88
	166.9	1.9	-	137.5	306.3	

**Foreign currency risk**

The Company's and subsidiaries' exposure to foreign currency risk arises mainly from sales and purchase transactions that are denominated in foreign currencies. The Company and subsidiaries seek to reduce this risk by entering into forward exchange contracts when they consider appropriate. Generally, the forward contracts mature within one year.

The balances of financial assets and liabilities denominated in foreign currencies as at 31 March 2011 are summarised below.

Foreign currency	Consolidated financial statements (Million)	Separate financial statements (Million)	Average exchange rate as at 31 March 2011 (Baht per 1 foreign currency unit)
<b>Financial Assets</b>			
US dollar	0.25	0.12	30.061
Japanese yen	3.45	3.45	0.3610
<b>Financial Liabilities</b>			
US dollar	1.57	1.42	30.4348

Forward exchange contracts outstanding at 31 March 2011 which mature within one year are summarised below.

Consolidated financial statements				
Foreign currency	Bought amount	Contractual exchange rate bought	Sold amount	Contractual exchange rate sold
	(Million)	(Baht per 1 foreign currency unit)	(Million)	(Baht per 1 foreign currency unit)
US dollar	0.99	30.29-30.57	0.13	30.2489
Japanese yen	1.18	0.37315-0.37635	-	-
Singapore dollar	0.11	24.02-24.14	-	-

Separate financial statements				
Foreign currency	Bought amount	Contractual exchange rate bought	Sold amount	Contractual exchange rate sold
	(Million)	(Baht per 1 foreign currency unit)	(Million)	(Baht per 1 foreign currency unit)
US dollar	0.89	30.29-50.57	-	-
Singapore dollar	0.11	24.02-24.14	-	-

## 26.2 Fair values of financial instruments

Since the majority of the Company's and subsidiaries' financial assets and financial liabilities are short-term in nature, their fair values are not expected to be materially different from the amounts presented in the balance sheets.

A fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The fair value is determined by reference to the market price of the financial instrument or by using an appropriate valuation technique, depending on the nature of the instrument.

## 27. Capital management

The primary objective of the Company's capital management is to ensure that it has an appropriate financial structure and preserves the ability to continue its business as a going concern.

According to the balance sheet as at 31 March 2011, the Group's debt-to-equity ratio was 0.64:1 (31 March 2010: 0.84:1) and the Company's was 0.41:1 (31 March 2010: 0.63:1).

**28. Subsequent event**

On 30 May 2011, the Company's Board of Directors passed a resolution to propose to the Annual General Meeting of Shareholders for resolution to pay a dividend of Baht 0.22 per share from the 2011 operating results.

**29. Approval of financial statements**

These financial statements were authorised for issue by the Company's Board of Directors on 30 May 2011.



## Lohakit Metal Public Company Limited

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