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**Lohakit Metal Public Company Limited**

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# Message from the Chairman and the Managing Director

During the past year 2012, Company has carefully plan for sustainable and secured operation and together with rapidly move of country economic. Company and its subsidiaries has continuously run business with well adaptation in consistent with quick changing environments. Therefore, the performance of company and its subsidiaries as of Mar 31, 2013 showed net profit of Baht 157.20 mil. This was the turnaround performance from previous year of Baht 60.38 mil profit or increased by 62.50 percent. Following the company policy in concentration to shareholders utmost benefits, company has considered to return the suitable dividend to its shareholders in the sense of believe in investing in company.

The company and its subsidiaries have put their full efforts and determination to prepare for coming competition if year 2013. As such, company and its subsidiaries have plan the future business by extending the distribution of metal and non-metal products like copper brass aluminum to potential customers. The company also has NgeckSengChiang Metal Company Limited who is recently joined group by Feb 1, 2013 to boost up potential in sale and services and together with expanding factory and machines to response and support the increasing in production capacities. Beside, company and its subsidiaries have confident in working experience, the capability of management, efficient staffs and business models which will lead the growth and sustain business to the company and its subsidiaries.

On behalf of board of directors, all management and staffs of the company and its subsidiaries, we would like to express our sincere thanks to all shareholders, investors, customers and all stakeholders including related government and private agents to support and give us your believes.

Finally, all management and staffs will continue to put our best effort, knowledge and capabilities for the benefit to all 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 Thai financial reporting standard as issued by the Federation of Accounting Professions and appropriate accounting policies and applied them in the preparation and presentation of its financial statements.

The reasonableness of the financial statements has 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. 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 result of internal controls audit and opinion by 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, 2013 have fairly reported the financial status, operating results and cash flow according to the Thai financial reporting standard.



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. The selected audit committees are 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, 2013, the audit committee had 6 meetings in every quarter, 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 Ngeck Seng Chiang Metal Co., Ltd. and Mory Lohakit (Thailand) Co., Ltd. (Related Company) 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.

Head office	: 66/1 Moo 6, Soi Suksawad 76, Suksawad Rd., Bangjak, Prapradang, 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
The Company branch	: 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
Auto Metal Company Limited (the subsidiary)	: 700/650, Moo 1, Panthong subdistrict, Panthong district, Chonburi, 20160 Telephone 0-3821-0270-77 Facsimile 0-3821-0268-9
Alternative Stainless Company Limited (the subsidiary)	: 66/1 Moo 6, Soi Suksawas 76, Suksawas Road, Bangjak, Prapradang, Samutprakarn 10130, Telephone 0-2463-0158 Facsimile 0-2463-7299
Mory Lohakit (Thailand) Co., Ltd. (Related Company)	: 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
Ngeck Seng Chiang Metal Co., Ltd. (the subsidiary)	: 947-949 New Road, Talan Noi, Samphanthawong, Bangkok 10100, Thailand Telephone 0-2693-4151 Facsimile 0-2693-4159
Registrar :	: 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
Accounting Auditor	: 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

Legal Advisor : : Seri, Manop and Doyle Company Limited  
21 Suthisarn-Ratchadapisek Road,  
Samsennok, Huaykwang, Bangkok 10320,  
Telephone 0-2693-2036, Facsimile 0-2693-4189

Investor Relation officer : 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. 211  
Facsimile 0-2673-9577-8  
E-mail : ird@lohakit.co.th

## Financial Highlight

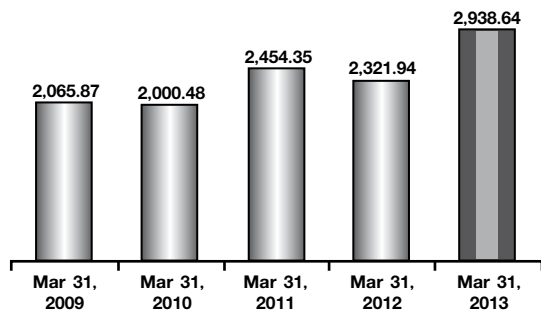
Financial summary of Lohakit Metal Public Company Limited and the subsidiaries :

	For the year ended 31 <sup>st</sup> March				
	2009	2010	2011	2012	2013
<b>Profit and loss statement (Baht millions)</b>					
Total revenue	2,065.87	2,000.48	2,454.35	2,321.94	2,938.64
Revenue from the sales of good and services	2,036.96	1,970.41	2,415.00	2,287.87	2,889.38
Gross profit	71.47	187.89	277.84	250.18	347.32
Net profit provided by operating activities	(8.98)	122.72	196.65	166.24	249.30
Net profit	(52.93)	101.27	139.11	96.72	157.20
<b>Balance Sheet (Baht millions)</b>					
Total assets	1,203.03	1,386.20	1,493.00	1,522.84	2,432.89
Total liabilities	550.56	632.46	582.22	533.98	1,072.65
Total shareholders' equity	652.47	753.74	910.78	988.86	1,360.24
<b>Per ordinary share (Baht), at Par 1.00</b>					
Book Value per share (Baht)	2.04	2.36	2.64	2.68	3.11
Earning per share (Baht)	(0.17)	0.32	0.43	0.30	0.48
Dividend per share (Baht)	0.04	0.15	0.22	0.14	0.22
<b>Ratio Analysis</b>					
Gross profit margin (%)	3.51%	9.54%	11.50%	10.94%	12.02%
Net profit margin (%)	-2.56%	5.06%	5.67%	4.17%	5.35%
Return on equity (%)	-7.60%	14.40%	17.40%	11.36%	15.34%
Return on Assets (%)	-3.77%	7.82%	9.66%	6.41%	7.95%
Liquidity ratio (times)	1.49	1.63	1.98	2.27	1.84
Debt to equity ratio (times)	0.84	0.84	0.64	0.54	0.79

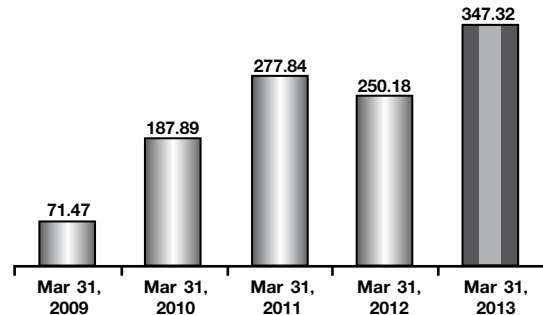


Consolidated Results of Fiscal years as of March 31, 2009 - March 31, 2013

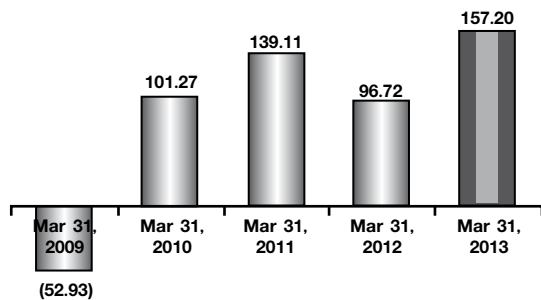
Total Revenue (Baht Millions)



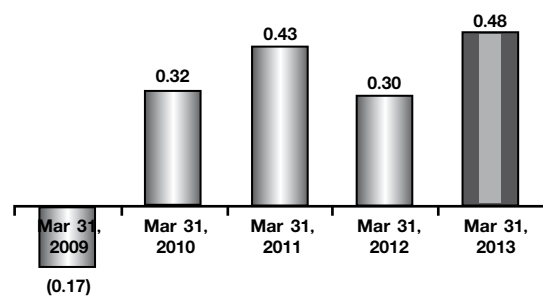
Gross Profit (Baht Millions)



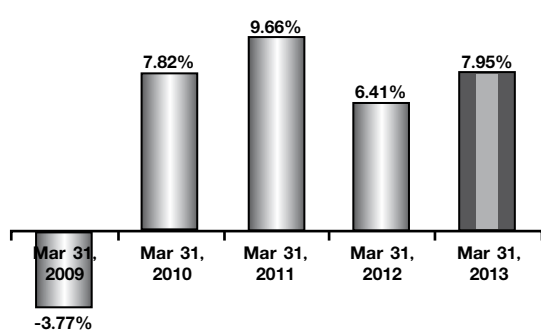
Net Profit (loss) (Baht Millions)



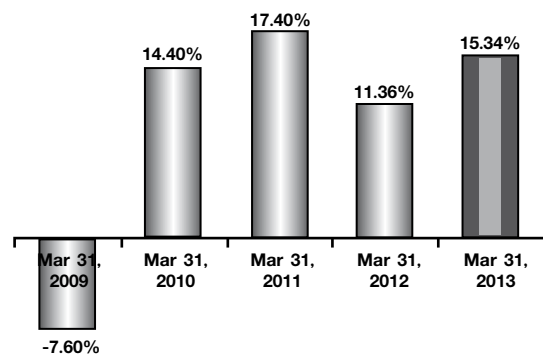
Earning Per Share (Baht)



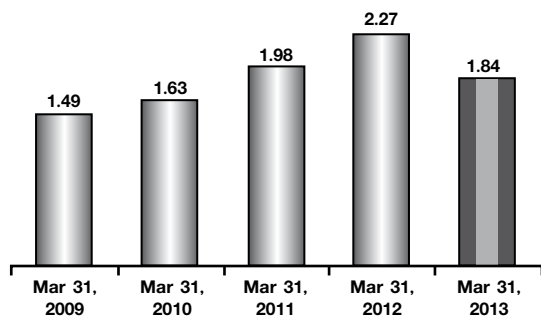
Return On Assets (%)



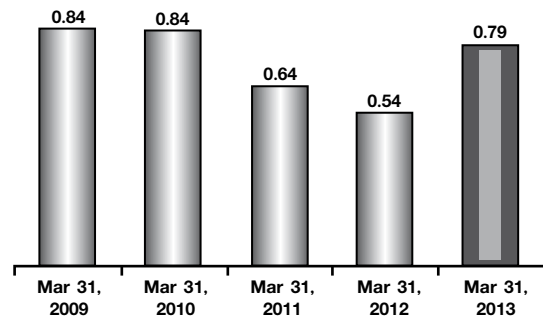
Return On Equity (%)



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 accumulate held 80 percent of total revenue 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>1</sup> which engages in steel trading business. The Company increased its capital to Baht 39.22 million where Tomen Corporation Company then held 49percent of total revenue of the Company’s shares. The shareholding percentage of the Akarapongpisak family was diluted to 40.80percent of total revenue. The proceed of such capital increase was used to acquire assets such as land, machines and inventory from Lohakit Shearing Company Limited.<sup>2</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 percent of total revenue and Mr. Nucha Wattanopas holding 20 percent of total revenue. 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.

In January 2013, the Company increased its capital to Baht 383 million where 63 million shares were privately offered to ex-shareholders of a new subsidiary company “Ngeck Seng Chiang Metal Company Limited” to settle acquisition deal of said subsidiary company.

As of March 31, 2013 the Akrapongpisak family who is the Company’s major shareholder held 67.48 of the Company’s shares.

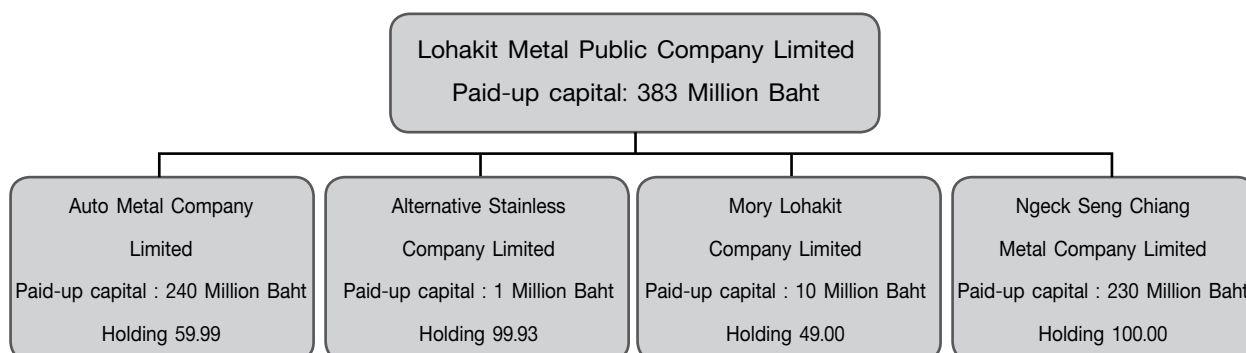
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<sup>1</sup> Tomen Group includes Tomen Enterprises (Thailand) Co., Ltd. (previously known as Lakana Visahakit Co., Ltd.) and Tomen Corporation Co., Ltd. (previously known as Toyomenga Kysa Limited). The Tomen group is a multinational company listed 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 distributing 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 Novemeber 27, 1992.

## Business Overview

The group of Lohakit Metal Public Company Limited as of March 31, 2013 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. A new subsidiary is the importer and authorized distribution of semi-products like Copper, Aluminum and Stainless steel. Supply Chain Management model 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 customer'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 problems, (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 subsidiaries 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) Provide stainless steel fabrication services as per the customer's request.
- (5) Distribution of Copper, Brass, Aluminum in form of coil, sheet, axle and pipe.

**The 3 subsidiaries and 1 relates of the Company and are 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 240 million and the Company holds 59.99 percent of total revenue of the paid-up capital and Mory Industrial Inc, hold 40.00 percent of total revenue of the paid-up capital of Auto Metal Company Limited respectively.
- (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 percent of total revenue of D-stainless Company Limited.
- (c) Mory Lohakit (Thailand) Company Limited was found on April 1, 2009 with 49 percent of total revenue shareholding by the company and another 49 percent of total revenue 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.
- (d) Ngeck Seng Chiang Metal Company Limited who is the importer and distributor of Stainless Steel Aluminum Brass Copper galvanized steel and electro-galvanized steel in various form like Coil, Sheet, Slab, Axle and Pipe with standard and special size in which difficult to find in market. The company currently has its paid up capital of Baht 230 million. As of Mar 31, 2013, Lohakit Metal Public Company invested 100% share in this subsidiary.

**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.<sup>3</sup> With those qualifications,<sup>4</sup> 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) Aluminum sheets, coils, axles and pipes of various sizes as per the customer's request where the products are used in electrical appliance and automotive industries.
- (8) The stainless steel fabrication as per the customer's request
- (9) Copper coils, sheets, axles and pipes with standard and special size where the products are used in electrical appliance and electronic industries.

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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) 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 2011 – 2013 can be shown as follows:

Revenue	Operated by	% holding	2011 (01/04/10 - 31/03/11)		2012 (01/04/11 - 31/03/12)		2013 (01/04/12 - 31/03/13)	
			Million Baht	%	Million Baht	%	Million Baht	%
<b><u>By Type of Revenue</u></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 Ngeck Seng Chiang Metal Co., Ltd.	- 100.00	967.15	39.41	771.27	33.21	927.62	31.57 ***
1.2 special grade stainless steel sheet and coil	D-Stainless Co., Ltd. The Company	99.93 -	230.56	9.39	213.32	9.18	133.31	4.54
1.3 Special grade stainless steel - HDD project	The Company	-	73.62	3	65.67	2.82	121.84	4.15
1.4 Stainless steel tube (round and rectangular) of grades 304, 316L	The Company	-	217.41	8.86	218.02	9.38	301.29	10.25
1.5 Special grade stainless steel tube	D-Stainless Co., Ltd. The Company	99.93 -	33.17	1.35	22.13	0.96	20.35	0.69
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 * -	574.77	23.42	643.08	27.7	907.08	30.87
1.7 Galvanized steel coil and sheet	The Company Ngeck Seng Chiang Metal Co., Ltd.	100	219.5	8.94	232.09	10.00	194.34	6.61 ***
1.8 Electro-glvanized steel coil and sheet	The Company	-	91.68	3.74	90.96	3.92	94.06	3.20
1.9 Aluminium coil and sheet	The Company Ngeck Seng Chiang Metal Co., Ltd.	100			22.67	0.98	80.33	2.73 ***
1.10 Copper coil and sheet axle and pipe	Ngeck Seng Chiang Metal Co., Ltd.	100					100.41	3.42 ***

Revenue	Operated by	% holding	2011 (01/04/10 - 31/03/11)		2012 (01/04/11 - 31/03/12)		2013 (01/04/12 - 31/03/13)	
			Million Baht	%	Million Baht	%	Million Baht	%
2. Revenue from service	The Company		7.14	0.29	8.66	0.38	8.75	0.30
<b>Total sales and service</b>	The Company and its subsidiaries	59.99* , 99.93 and 100.00	2,415.00	98.4	2,287.87	98.53	2,889.38	98.32 ***
3. Gain from exchange rate	The Company and its subsidiaries	59.99* , 99.93 and 100.00	2.36	0.1	-	-	6.64	0.23 ***
4. Other Income**	The Company and its subsidiaries	59.99* , 99.93 and 100.00	36.99	1.5	34.07	1.47	42.62	1.45 ***
<b>Total Revenue</b>	The Company and its subsidiaries	59.99* , 99.93 and 100.00	2,454.35	100	2,321.94	100	2,938.64	100 ***
<b>By Source of Revenue</b>								
(a) Revenue from domestic sales	The Company and its subsidiaries	59.99* , 99.93 and 100.00	2,349.92	97.31	2,236.00	96.29	2,863.00	99.09
(b) Revenue from international sales	The Company and its subsidiaries	59.99* , 99.93 and 100.00	65.08	2.69	51.87	3.71	26.38	0.91
<b>Total Revenue</b>	The Company and its subsidiaries	59.99* , 99.93 and 100.00	2,415.00	100	2,287.87	100	2,889.38	100

Remark \* The Company hold 59.99 percent of total revenue percent in shares after selling of 40 percent of total revenue 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 and gain from bargaining in price

\*\*\* Year 2013 revenue included sales and other income for 2 months (Feb-Mar 2013) of Ngeck Seng Chiang Metal Co., Ltd. as part of total revenue after acquisition done by January, 31 2013

## 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. Beside, new metals and non-ferrous metals rather than stainless steel have been added as additional goal to widely serve all industrial customers. 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. Economic risks to global and Thailand in 2013 and its trend in 2014

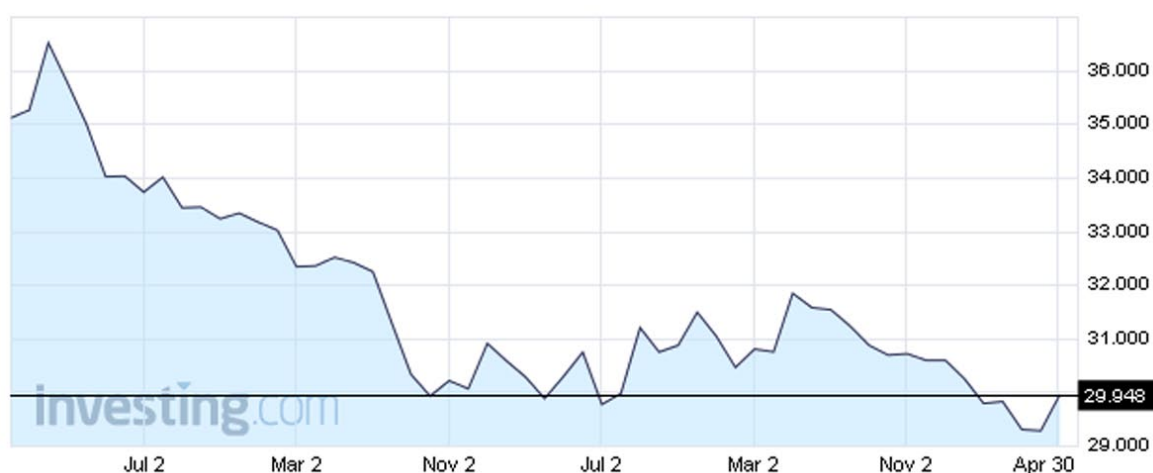
The fragile recovery of world economic is still the risk factors to Thai economic especially many problems in European economic have forced the European central bank to cut interest rate. In addition, public debt is widely expanding in the other countries. American GDP was not fully recovered yet even with fiscal injection to system but the unemployment rate did not clearly showed the better signal. China who is currently the world second largest economic had lower than expected recovery of its economy due to the control of their internal purchasing power, stronger in Yuan currency, higher labor costs and slowing down in global economic. Those are factors to lower China export volume and export become relatively more expensive. Japan, South Korea or Taiwan who are export countries also had lower GDP than their expectation.

Risk factors of Thai economic still base on world risk factors. By that, the clear and continue measures by large economic countries are needed for world economy as well as the economic recovery in EU countries.

However, the company still closely monitors the economic development & possible impacts, focus to diversify business to various industries and looking for new offshore market.

## 2. Risk in Thai Baht fluctuation

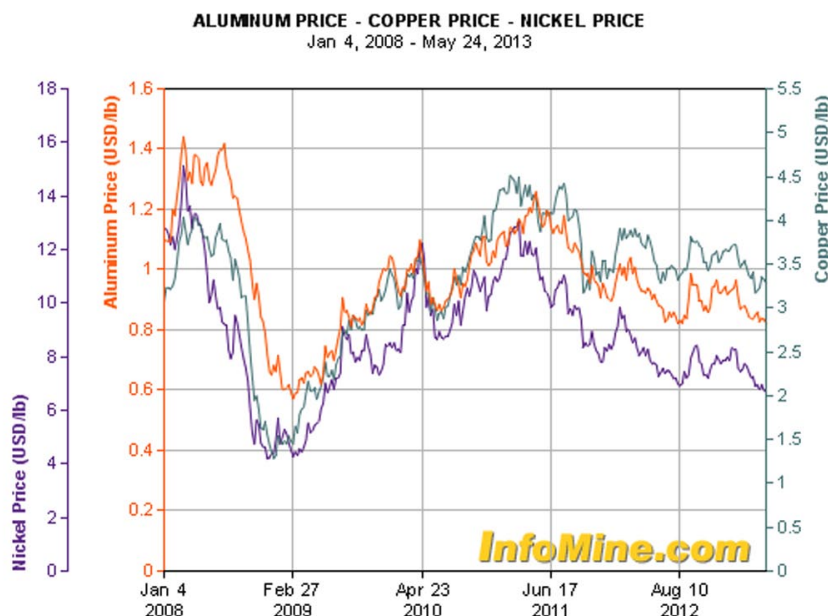
The sentiment to high economic power countries make fund movement between countries as investor try to avoid the risks and switching between risk and safe assets. This result to the fluctuation in money and capital markets as well as Baht currency has been moving up and down rapidly.



However, the fluctuation in Baht currency is the temporary status in which manufacturer and exporter in Automotive and Electrical appliance industries who are main customers of company are able to manage the fluctuation and keep their competitiveness. Moreover, the company has continue, closely monitored risks and impacts and do forward hedging of currency exchange over material imports.

### 3. Risk from the price volatility of Nickel, Copper and Aluminum

Stainless steel, Copper and Aluminum are major raw materials with high turnover volume for the Company and its subsidiaries. Their prices change according to the global demand and supply. In case of Stainless Steel, its components including chromium, nickel and carbon, in which nickel as the major component has volatility in price and consequently drive volatility in stainless steel price too.



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. In addition, the company focus in creating value added in business for the sake of benefit to customers with high quality of products and service.

### 4. 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 2012 and 2013 (Include 2 months purchase of a new subsidiary), the company ordered the cold rolled stainless steel coil from major local producers, Posco-Thainox PLC, which accounted for 35.15% and 36.75% of the total purchasing amount. Since Posco-Thainox 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. Beside, the company has ability in importing stainless steel from oversea manufacturer.

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 2012 and 2013, the Company's transaction size with Nippon Metal Industry Co., Ltd. accounted for 20.09% and 18.77% 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.

## 5. 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 2012 and 2013, the revenues from domestic sale of the Company and its subsidiaries stood at Baht 2,288 million, or 98.53% of the total revenue, and Baht 2,863 million, or 99.99% 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 Thailand relatively advantage of 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. Ngeck Seng Chiang Metal Company Limited, a new subsidiary, who is the authorized distributor of Copper, Brass, Stainless and Aluminum to customers in construction, electronic, electrical appliance and automotive industries.

## 6. 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 as following.

- (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 longer than 20 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 state-of-the art machinery by the company and its subsidiaries.
- (5) The Company and a 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.

## 7. Risk from inventory management

The Company and its subsidiaries 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 2012, the outstanding inventory cost was baht 553.95 million or accounting for 36.37% of total assets cost. As of 31 March 2013, the outstanding inventory cost is higher due to acquiring inventory of a new subsidiary and total was baht 896.03 million or accounting for 36.83% of total assets cost. Due to its sizable elements in 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 subsidiaries 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 2011 and 2012 were at 34 days and 40 days respectively. As a result of the effective inventory management, the Company and its subsidiaries never faced with liquidity problems and have the proper material cost.

# Capital Structure

## The Company's Securities

As of March 31, 2013 the Company's registered and paid-up capital stood at Baht 383 million divided into 383,000,000 ordinary shares with a par value of Baht 1 per share.

## Shareholders

The shareholding structure as of March 31, 2013

Names	As of March 31, 2013	
	Number of shares	Percentage (%)
1. Mr. Kasem Akarapongpisak	93,282,180	24.36
2. Mr. Prasarn Akarapongpisak	52,034,300	13.59
3. Mr. Prasert Akarapongpisak	44,046,300	11.50
4. Mr. Vittawat Akarapongpisak	31,550,200	8.24
5. Ms. Wassana Akarapongpisak	21,750,020	5.68
6. Mr. Pongthep Akarapongpisak	15,750,000	4.11
The Akarapongpisak Family	258,413,000	67.48
7. Mr. Nucha Wattanopas	24,190,900	6.32
8. Mr. Manwat Choksuwatsakun	7,610,000	1.99
9. Mr. Anurak Bunsawaeng	6,454,300	1.69
10. Mrs. Thitima Iamsakun	6,063,500	1.58
Total	302,731,700	79.06

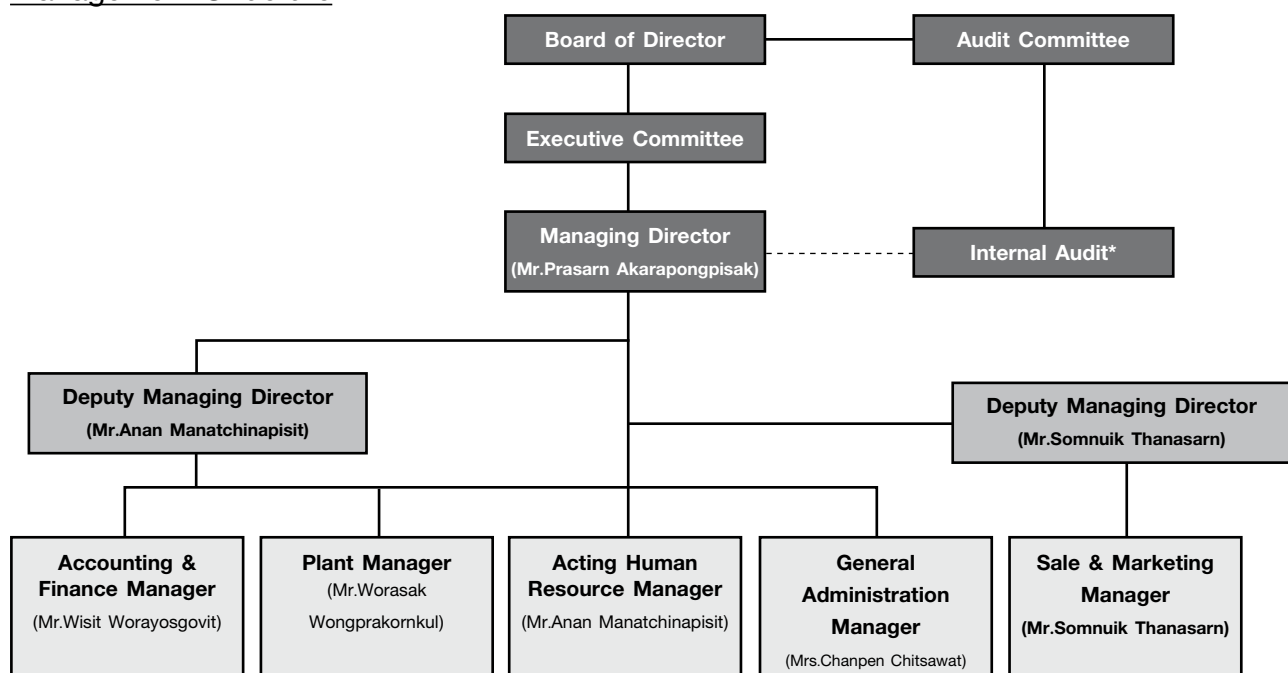
## Dividend Policy

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 and Ngeck Seng Chiang Metal Company Limited, the Company's three 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 and<br>Acting for Human Resource Manager |
| 3. Mr. Somnuik Thanasarn      | Deputy Managing Director and Sales & Marketing Manager            |
| 4. Mrs. Chanpen Chitsawat     | General Administrative Manager                                    |
| 5. Mr. Wisit Worayosgovit     | Accounting and Finance Manager                                    |
| 6. Mr. Worasak Wongprakornkul | Plant Manager   |

## 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) 1/3<sup>rd</sup> 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 1/3<sup>rd</sup> 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	2012 (01/04/11 - 31/03/12)		2013 (01/04/12 - 31/03/13)	
	Meeting Allowance (Baht)	Bonus (Baht)	Meeting Allowance (Baht)	Bonus (Baht)
1. Mr. Wanchai Umpungart	160,000	-	240,000	-
2. Mr. Prasarn Akrapongpisak	-	-	40,000	-
3. Mr. Anan Manatchinapisit	-	-	40,000	-
5. Mr. Somnuik Thanasarn	-	-	40,000	-
6. Mr. Anurut Vongvanij	30,000	-	30,000	-
7. Mr. Teera Na Wangkanai	60,000	-	100,000	-
8. Mr. Lert Nitheranont	60,000	-	100,000	-
<b>Total</b>	<b>310,000</b>	<b>-</b>	<b>590,000</b>	<b>-</b>

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

Remuneration	2012 (01/04/11 - 31/03/12)		2013 (01/04/12 - 31/03/13)	
	Number of Person	Amount (Baht)	Number of Person*	Amount (Baht)
Salary	7	18,702,430	7	19,145,817
Bonus	7	2,573,250	7	3,694,785
Other Remuneration (Communication expenses)	1	18,000	1	18,000
<b>Total</b>	<b>7</b>	<b>21,293,680</b>	<b>7</b>	<b>22,858,602</b>

Remark : The Seven management staff shown here does not fully agree to management list in management structure topic which shown six person due to the resign of one new management staff since April 2013.

(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 14 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 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 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 been giving the important on operation with responsibility to social and environment. By that, company in cooperation with stock exchange of Thailand has set up the activities for social.

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 20, 2011 the Company appointed A.M.T. Services Office Limited as the Company's internal auditor for year 2011 (April 1, 2011 - March 31, 2012). 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.

The committee for good governance realized the important of the participation of all associated group in monitoring the said good governance. By that, company has set up the channel to receive any clue or complains from employee and other stakeholders like shareholders, customers, counterparts and communities. The information can be any related matters to illegal, business ethic, dishonest to position, ignorant to duty or policies or regulations, conflict of interest, misreporting of financial information, weak internal control or any actions that make informer or company in damages. The information can be filed via Email: [ird@lohakit.co.th](mailto:ird@lohakit.co.th) or by phone at 0-2673-9559 ext 211. The

information will give the chance for company to have the better understand over the problem, make analysis, find solving solution and putting more right measures to protect the problems and that will result to have more efficient management of the company.

#### (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 2012 and 2013, the details of the board of director's meeting are as follows:

Directors	2012 (01/04/11 - 31/03/12)	2013 (01/04/12 - 31/03/13)
	Number of meetings convened / Number of meetings attended	Number of meetings convened / Number of meetings attended
1. Mr. Wanchai Umpungart	4/4	6/6
2. Mr. Prasarn Akarapongpisak	4/4	6/6
3. Mr. Anan Manatchinapisit	4/4	6/6
4. Mr. Somnuik Thanasarn	4/4	6/6
5. Mr. Anurut Vongvanij	4/3	6/3
6. Mr. Teera Na Wangkanai	4/3	6/4
7. Mr. Lert Nitheranont	4/3	6/5

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 adopt and regulary 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 committee also gives important on disclosing the complete information with covering both general and financial information. There are press conferences to reporter and 3rd parties through the event of SET Opportunity Day every quarter. The company has also assigned investor relation staff to responsible for disclosure the important information and acting for company to relate the communication with institution investor, shareholders and general analysts. All general investors are welcome to contact for company information by phone at 02-673-9559 ext 211 or by email at ird@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.

In addition, the company also gave orientation to new directors by providing and presenting all information in relating to business to all new and first time directors into company.

**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 31, 2012 and March 31, 2013 consist of 200 person and 209 person dividing into the following :

Department	2012 (01/04/11 - 31/03/12)	2013 (01/04/12 - 31/03/13)
Purchase	7	3
Finance/MIS/Audit	9	11
Sales & Marketing	25	26
Administrative	2	2
Human resource	5	7
Quality assurance	19	17
Planning/Inventory/Logistics	56	60
Production	77	83
<b>Total</b>	<b>200</b>	<b>209</b>

- (b) Labor dispute in past three years (31 March 2011 - 31 March 2013)  
- None

(c) Remunerations to non-executive personnel

Remunerations	2012 (01/04/11 - 31/03/12)	2013 (01/04/12 - 31/03/13)
Salary/wages	38,821,871	45,966,211
Bonus	2,506,695	3,783,136
Other benefits	5,311,608	5,654,624
Total	46,640,174	55,403,971
No. of personnel	193	202

(d) Personnel 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 personnel 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.2/2013 dated May 27, 2013 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, 2013, 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. 2/2013 dated May 27, 2013. 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 2011 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. 2/2013 dated May 27, 2013 considered and acknowledged the reports of the internal auditor and the results of the internal auditing as per the 2012 plan (April 1, 2012 - March 31, 2013) 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

**1. 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 ended on March 31, 2013.**

Related Parties	Relationship	Details of Transaction	Amount (million baht)	Opinion of the Audit Committee
			01/04/12 - 31/3/13	
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 67.48 of Lohakit Metal Plc. as of March 31, 2013 and 100.00% of NSCM as of June 8, 2011. However, Lohakit Metal Public Company Limited acquire 100% shares from ex-shareholders by January 31, 2013 and Ngeck Seng Chiang Metal Co., Ltd. become subsidiary company since then.</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> <p>- Revenue - Account receivables - Commission fee - Accrued commission (Period for 10 months during Apr 1, 2012 till Jan 31, 2013 before becoming a subsidiary company)</p>	<p>38.73 2.97 0.20 0.03</p>	<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>

Related Parties	Relationship	Details of Transaction	Amount (million baht)	Opinion of the Audit Committee
			01/04/12 - 31/3/13	
2. Mr. Prasert Akarapongpisak	Mr. Prasert Akarapongpisak serves as director, Managing Director and authorized director of the Ngeck Seng Chiang Metal Co., Ltd.  Mr. Prasert Akarapongpisak holds 13.59 % of the Company (information as of Mar 31, 2013)	Mr. Prasert Akarapongpisak has guaranteed the loan for NegeckSengChiang Company Limited in the maximum limit of Baht 320 million with two local banks.	320.00	Such guarantee was for the benefit for working capital of Negeck SengChiang Metal Company Limited and banks required the Company's director to guarantee loans.
3. Mr. Prasarn Akarapongpisak	Mr. Prasarn Akarapongpisak serves as director, Managing Director and authorized director of the Company and its subsidiaries.  Mr. Prasarn Akarapongpisak holds 11.50% of the Company (information as of Mar 31, 2013)	Mr. Prasarn Akarapongpisak has guaranteed the loan for NegeckSengChiang Company Limited in the maximum limit of Baht 85 million with a local bank.	85.00	Such guarantee was for the benefit for working capital of Negeck SengChiang Metal Company Limited and bank required him as one of co-guarantor for working capital loan to NegeckSengChiang Metal Company Limited.
4. 499 Service partnership	499 Service partnership and NgeckSengChiang Metal Company Limited has the same managing director and who is the sole owner of said partnership since Feb 1, 2011.	499 Service partnership service a personal rental car. By January 1, 2013 NgeckSengChiang Metal enter into rental contract for 1 year. The contract has a clause for renewal for an another year in case no parties take action to terminate the contract.  - Car rent fee (Period for 2 months during Feb 1, 2013 till Mar 31, 2013)	0.07	The rental fee is in line with market price by 3 <sup>rd</sup> party operator who does this kind business.
5. Mr. Kasem Akarapongpisak	The father of managing directors of Lohakit Metal Public Company Limited and NgeckSengChiang Metal Company Limited  Mr. Kasem Akarapongpisak holds 24.36 % of the Company (information as of Mar 31, 2013)	1. Rent the warehouse no. 602-604 at Sripraya Road, space is 783 squaremetre 2. Rent the commercial house no. 947-949, Charoenkrung road, space is 595 squaremetre  - Space rental fee (Period for 2 months during Feb 1, 2013 till Mar 31, 2013)	0.50	The rental fee is considered low comparing to rental rate/ square metre around that location.

## **2. 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. Beside, other types of related transactions were in line with market price by outside 3rd parties operators.

In addition, the audit committee found that during the period ended on March 31, 2013, none of the customers of NSCM has ever been the customers of the Company.

## **3. 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.

## **4. 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 March 31, 2013)	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	65 years	- MBA, Sasin Graduate Institute of Business Administration of Chulalongkorn University - BA Accounting, Chulalongkorn University - Director Accreditation Program DAP 35/200 on April 1, 2005	-	-	2005 - Present  2002 - Present  2005 - Present  2006 - 2011 2007 - Present  2004 - 2007  2008 - 2009	- Chairman of the Board of Directors, Independent Director and Chairman of the Audit Committee - Independent Director and Audit Committee - Independent Director and Chairman of the Audit Committee - Director - Independent Director and Member of Audit Committee - Chairman of Executive Committee - Director and Member of Audit Committee	- Lohakit Metal Public Company Limited / Procuring stainless steel coils products  - Muramoto Electron (Thailand) Plc. / Manufacturer and exporter electronic parts - Sahapattana Inter Holding Plc. / Investment Business  - Marketing Organization of Farmers - Thanulux Public Company Limited / Manufacturer clothes and leather accessories - Thai Herbal Products Co., Ltd. / Manufacturer and distributor Thai Herbal Products - Metropolitan Electricity Authority
2.	Mr. Prasarn Akarapongpisak* Director, Chairman of Executive Committee and Managing Director	54 Years	- MBA, Sasin Graduate Institute of Business Administration of Chulalongkorn University - Bachelore of Technology and Industrial Management King Mongkut's University of Technology North Bangkok - Director Accreditation Program DAP 37/2005 on May 20, 2005 - Director Certification Program DCP 60/2005	11.50 %	-	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 - Alternative Stainless Co., Ltd. / Distributor Special grade stainless (D-Stainless) - Truemind & Partners Co., Ltd. / Business Consultant - Auto Metal Co., Ltd. / Manufacturer and Distributor Automotive Pipes

Remark : \* The Company's authorized directors

## Details of Directors and Executive Management

No.	Name Position	Age (Year)	Educational Background	Share holding In LHK (As of March 31, 2013)	Relation between the Director Member	Work Experience for the last 5 years		
						Period	Job Title	Company Name/Type of Business
3.	Mr. Anan Manatchinapisit* Director, Member of Executive Committee, Deputy Managing Director	50 years	- MAcc. Chulalongkorn University - BA Accounting, Chulalongkorn University - Director Certification Program DCP 92/2007	-	-	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 - Alternative Stainless Co., Ltd. / Distributor special grade stainless steel products - Schneider (Thailand) Co., Ltd. / Manufacturer electrical distribution and automation control equipment utilizing
4.	Mr. Somnuik Thanasarn* Director, Member of Executive Committee and Sales & Marketing Manager	47 years	- Bachelor of Economics Thammasat University - Director Certification Program DCP 106/2008	-	-	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 - Alternative Stainless Co., Ltd. / Distributor special grade stainless steel products - Lohakit Metal Public Company Limited / Procuring stainless steel coils products
5.	Mr. Anurut Vongvanij Director	51 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 - Pharmacosmet Public Company Limited / Distributor Body Care products and Cosmetic

Remark : \* The Company's authorized directors

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## Details of Directors and Executive Management

No.	Name Position	Age (Year)	Educational Background	Share holding In LHK (As of March 31, 2013)	Relation between the Director Member	Work Experience for the last 5 years		
						Period	Job Title	Company Name/Type of Business
7.	Mr. Lert Nitharanont Director, Independent Director and Member of Audit Committee	51 years	- Master of Business Administration (International Business) University of Southern California U.S.A.  - Bachelor of Science Mechanical Engineering and Applied Mechanics University of Pennsylvania U.S.A. - Director Accreditation Program DAP35/2005 on Apr. 1, 2005	-	-	2005 - Present  1996 - Present	- Director, Independent Director and Member of Audit Committee  - Director	- Lohakit Metal Public Company Limited / Procuring stainless steel coils products  - Royal Concord Interrade Co., Ltd. / Trading Business
8.	Mrs. Chanpen Chitsawat General Administration Manager	42 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

## Details of Directors and Executive Management

No.	Name Position	Age (Year)	Educational Background	Share holding In LHK (As of March 31, 2013)	Relation between the Director Member	Work Experience for the last 5 years		
						Period	Job Title	Company Name/Type of Business
9.	Mr. Wisit Worayosgovit Accounting and Finance Manager	46 years	- MBA, Thammasat University - Bachelor of Accounting Thammasat University	-	-	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
10.	Mr. Worasak Wongprakornkul Plant Manager	47 years	- MBA Burapha University - Bachelor: Mechanical Engineering Chulalong Korn University	-	-	2012 - Present  2006 - 2011	- Plant Manager  - Value Added Product (VAP) Manufacturing Manager	- Lohakit Metal Public Company Limited / Procuring stainless steel coils products - Siam Gypsum Industry Co., Ltd.

# Management Discussion and Analysis

## 1. Operating Performance

(Unit: Baht millions)

Consolidated financial statement	For the year ended 31 <sup>st</sup> March			
	Apr 2011 - Mar 2013 **	Apr 2011 - Mar 2012	Change	% Change
Revenue from sales & service	2,889.38	2,287.87	601.51	26.3%
Other income	49.26	34.07	15.19	44.6%
<b>Total revenue</b>	<b>2,938.64</b>	<b>2,321.94</b>	<b>616.70</b>	<b>26.6%</b>
Cost of goods sold & service	2,542.06	2,037.69	504.37	24.8%
Selling expenses	63.29	50.40	12.89	25.6%
Administrative expenses	83.99	67.61	16.38	24.2%
<b>Total expenses</b>	<b>2,689.34</b>	<b>2,155.70</b>	<b>533.64</b>	<b>24.8%</b>
Earning before interest and tax	249.30	166.24	83.06	50.0%
Finance cost	-17.94	-19.60	1.66	-8.5%
Share of profit from investment in associate	2.11	1.62	0.49	30.3%
Corporate Income tax expenses	-32.17	-25.78	-6.39	24.8%
<b>Net profit</b>	<b>201.30</b>	<b>122.48</b>	<b>78.82</b>	<b>64.4%</b>
Minority interest in subsidiary	-44.10	-25.76	-18.34	71.2%
<b>Net profit of the Company</b>	<b>157.20</b>	<b>96.72</b>	<b>60.48</b>	<b>62.5%</b>

\*\* Including two month performance (Feb & Mar'13) of a new subsidiary company

For the year ended 31<sup>st</sup> March 2013, the Company and its subsidiaries had net profit of Baht 157.20 million or increased by 60.48 million or 62.5 percent from previous year, compared with the net profit of Baht 96.72 million of the same period of the previous year. The profit performance for present year was good itself and much better than previous year due to the previous year low base in which impacted by mega flooding. In addition, there were some positive factors to present year performance from the growth in automotive industrial supported by order backlogs carried over and the first car policy from government as well as sales growth in electrical appliances and construction. In addition, the Company entered into the acquisition of an entity and completed the 100 percent share-holding by January 2013. Therefore, the present year performance included two month (Feb-Mar 2013) net profit of amount by Baht 6.40 million of a new subsidiary company as part of total performance.

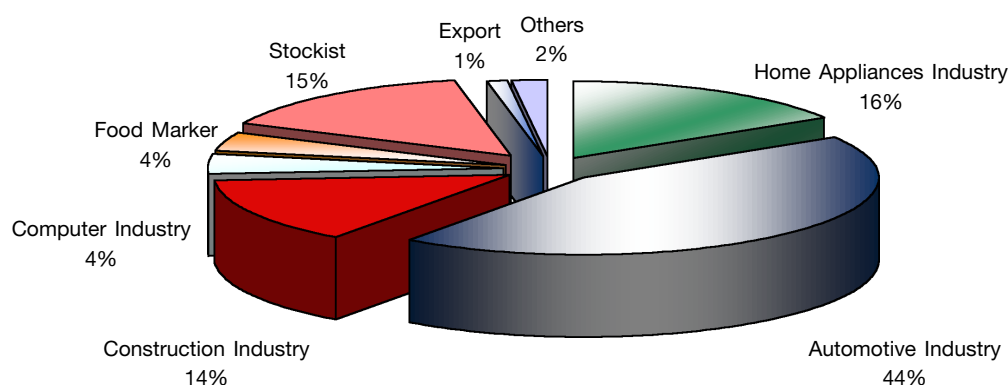
The profit before interest and tax increased by Baht 83.06 million whereas corporate tax increased by Baht 6.39 million, financial cost decreased by Baht 1.66 million by positive cash flow from operating profit and increases by Baht 18.34 million of profit sharing to minority shareholders due to sale and profit growth of a subsidiary company.

## 1.1 Revenue

For the year ended 31<sup>st</sup> March 2013, the Company and its subsidiaries had revenue from sales and service of Baht 2,889.38 million compared with Baht 2,287.87 million in the same period of the previous year, which increased by 26.3 percent. The increased was due mainly to the increase in volumes of automotive parts and exhaust pipe and without impacts of Mega flooding like last year. In addition, total revenue included two month revenue from a new subsidiary amount by Baht 132.69 million.

The Company and its subsidiaries' revenue from the sales of goods are mostly revenue from domestic sales. For the year ended 31<sup>st</sup> March 2013, the Company and its subsidiaries had revenue from domestic sales of 99.99 percent of total revenue from sales. The proportion of domestic sale to port was higher due the growth in domestic sales whereas the lower in export of exhausted automotive pipes to India of a subsidiary. Apart from that, domestic sale was also supported by combining part of domestic sale from a new subsidiary company.

Revenue Structure (Segment)



## 1.2 Other income

Other income consists of interest income, gain from asset sales and revenue from scrap sales. For the year ended 31<sup>st</sup> March 2013, the Company and its subsidiaries had other income of Baht 49.26 million or increased by 15.19 percent from the same period previous year. This was owing to the realization of gain from bargaining in acquisition price of Baht 9.60 million in present year whereas there was no such transaction in 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.

## 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 31<sup>st</sup> March 2013, the Company and its subsidiaries had cost of goods sold of Baht 2,542.06 million, or accounting for 86.50 percent of the total revenue in comparing with Baht 2,037.69 million, or accounting for 87.75 percent of total revenue of previous year. Cost of goods sold increased by 24.8 percent whereas sales & service increased by 26.3 percent.

**1.4 Selling expenses**

Selling expenses consist of sale staff expenses, transportation expenses, promotion expenses. For the year ended 31<sup>st</sup> March 2013, the Company and its subsidiaries had selling expenses of Baht 63.29 million, compared with selling expenses of Baht 50.40 million in the same period of the previous year which increased by 25.6 percent. The increase in expenses was due mainly to the comparing to low delivery expenses and low marketing expenses in the previous year which impacted by Mega flooding incident and two month additional selling expenses from a new subsidiary company of Baht 2.44 million.

For the period of year ended 31st Dec 2013, the selling expenses were 2.15 percent, slightly decreased when comparing to 2.17 percent of total sales and service in the same period of previous year.

**1.5 Administrative expenses**

Administrative expenses consist of executive expenses and staff expenses other than sale department, office rental expenses and other management and administrative expenses. For the year ended 31<sup>st</sup> March 2013, the Company and its subsidiaries had administrative expenses of Baht 83.99 million, compared with administrative expenses of Baht 67.61 million in the same period of the previous year which increased by 24.2 percent. This was due to the recognition of professional expenses for services render to investigate the acquisition amounting by Baht 6.24 million and two month additional administrative expenses from a new subsidiary company of Baht 3.48 million.

For the year ended 31<sup>st</sup> March 2013, the administrative expenses were 2.86 percent of total revenue, slightly decreased in compared with administrative expenses of 2.91 percent of total revenue in the same period the previous year.

**1.6 Earning (loss) before interest and tax and Net Profit (loss)**

For the year ended 31<sup>st</sup> March 2013, the Company and its subsidiaries had profit before interest and tax of Baht 249.30 million. After deducting the finance cost of Baht 17.94 million, income tax of Baht 32.17 million, net profit sharing to minority shareholders of subsidiary of Baht 44.10 million and adding the profit sharing from investment in related of Baht 2.11 million, the net profit of the Company and its subsidiaries stood at Baht 157.20 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 166.24 million and Baht 96.72 million respectively, the net profit of the present year increased by 62.5 percent.

**1.7 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 31<sup>st</sup> March 2013 and 2012, the company and its subsidiary recognized share of profit by equity method of Baht 2.11 million and Baht 1.62 million respectively.

**1.8 Corporate income tax**

For the year ended 31<sup>st</sup> March 2013, the Company and its subsidiaries recognized corporate tax expenses by 32.17 million or increased by 24.8 percent. It was recorded by using new tax rate of 23.0 percent in current year from 30% in previous year. However, the increasing in corporate tax was due to the increase in profit before tax.



## 1.9 Profit sharing to minority shareholders of subsidiary company

On Oct 1 2010, the company sold partial investment in a subsidiary company to Japanese alliance, Mory Industrial Inc., As of 31<sup>st</sup> March 2013, the Company and its subsidiaries recognized profit sharing to minority shareholders according to the percentage of its shareholding in full year which was amount by 44.10 million, increased from amount by 25.76 million of previous year by 71.2 percent. The increased was due mainly to the growth in sales and profit of automotive business as well as lower base profit in previous year from Mega flooding incident.

## 1.10 Profitability

For the year ended 31<sup>st</sup> March 2013 the Company and its subsidiaries had gross profit margin of 12.02 percent compared with gross profit margin of 10.93 percent in the same period the previous year. The increase in gross profit margin was owing to the growing in profitable product sales.

For the year ended 31<sup>st</sup> March 2013, the Company and its subsidiaries had net profit margin of 5.35 percent compared with net profit of 4.17 percent in the same period of the previous year. The increase in net profit was mainly contributable from the higher in gross margin as mention above.

## 2. Financial Status

(Unit: Baht million)

Consolidated balance sheets	As at 31 <sup>st</sup> March 2013		As at 31 <sup>st</sup> March 2012	
	Amount	%	Amount	%
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	87.28	3.59%	53.85	3.54%
Short-term investment	70.51	2.90%		
Account receivable, trade and others	855.39	35.16%	541.54	35.56%
Inventories, net	896.03	36.83%	553.95	36.38%
Other current assets	6.66	0.27%	7.03	0.46%
<b>Total current assets</b>	<b>1,915.87</b>	<b>78.75%</b>	<b>1,156.37</b>	<b>75.94%</b>
<b>Non-current assets</b>				
Investment in related company	11.25	0.46%	9.14	0.60%
Long-term investment	3.21	0.13%		
Other long-term investment	5.00	0.21%		
Property, plant and equipment, net	447.90	18.41%	349.50	22.95%
Intangible assets - net	0.48	0.02%	0.37	0.02%
Restricted fixed deposits	46.00	1.89%	5.00	0.33%
Other non-current assets	3.18	0.13%	2.46	0.16%
<b>Total non-current assets</b>	<b>517.02</b>	<b>21.25%</b>	<b>366.47</b>	<b>24.06%</b>
<b>TOTAL ASSETS</b>	<b>2,432.89</b>	<b>100.00%</b>	<b>1,522.84</b>	<b>100.00%</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Bank overdraft and borrowing from financial institutions	469.89	19.31%	266.17	17.48%
Account payables, trade and others	531.50	21.85%	223.12	14.65%
Current portion of financial lease	4.35	0.18%	3.63	0.24%
Accrued corporate income tax	25.11	1.03%	9.35	0.61%
Other current liabilities	8.44	0.35%	6.07	0.40%
<b>Total current liabilities</b>	<b>1,039.29</b>	<b>42.72%</b>	<b>508.34</b>	<b>33.38%</b>

(Unit: Baht million)

Consolidated balance sheets	As at 31 <sup>st</sup> March 2013		As at 31 <sup>st</sup> March 2012	
	Amount	%	Amount	%
<b>Non-current liabilities</b>				
Financial lease obligations	8.03	0.33%	9.57	0.63%
Provision for employee benefit	25.33	1.04%	16.07	1.05%
<b>Total non-current liabilities</b>	<b>33.36</b>	<b>1.37%</b>	<b>25.64</b>	<b>1.68%</b>
<b>TOTAL LIABILITIES</b>	<b>1,072.65</b>	<b>44.09%</b>	<b>533.98</b>	<b>35.06%</b>
<b>SHAREHOLDERS' EQUITY</b>				
Shareholder equity				
Registered capital	383.00		320.00	
Issued and Paid up capital	383.00	15.74%	320.00	21.01%
Premium on stock	519.67	21.36%	330.67	21.72%
Retained earnings				
Legal reserve	38.05	1.57%	24.46	1.61%
Un-appropriated	250.16	10.28%	183.32	12.04%
Non-controlling interest of a subsidiary	169.36	6.96%	130.41	8.56%
<b>Total shareholders' equity</b>	<b>1,360.24</b>	<b>55.91%</b>	<b>988.86</b>	<b>64.94%</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>2,432.89</b>	<b>100.00%</b>	<b>1,522.84</b>	<b>100.00%</b>

## 2.1 Assets

As for the assets value as at 31<sup>st</sup> March 2013 and 2012 the Company and its subsidiaries had total assets of Baht 2,432.89 million and Baht 1,522.84 million respectively. The increase was Baht 910.05 million mainly resulted by integration of assets from a new subsidiary. 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 and a new subsidiary who is the trader of metal and non-ferrous metal. Therefore, the Company and its subsidiaries' major assets are inventories, account receivables, land, plant and equipment as details below:

- 2.1.1 Short-term investment: As at 31<sup>st</sup> March 2013 a new subsidiaries had net value of Baht 70.51 million (or 2.90 percent of total assets) for the short-term investment in investment units for the purpose of using it as their working capital for raw material procurement.
- 2.1.2 Inventories: As at 31<sup>st</sup> March 2013 the Company and its subsidiaries had net inventories of Baht 896.03 million (or 36.83 percent of total assets) and Baht 553.95 million (or 36.38 percent of total assets) respectively. The increase in value of inventory was resulted from the including inventory from a new subsidiary whose its main inventories was copper, aluminium and stainless steel.
- 2.1.3 Trade account receivables, net - other parties: As at 31<sup>st</sup> March 2013, the Company and its subsidiaries had Trade account receivables, net - other parties of Baht 855.39 million (or 35.16 percent of total assets) and Baht 541.54 million (or 35.56 percent of total assets) respectively. The increased in trade account receivables was the result of the growth in sales as well as including trade receivable from a new subsidiary.

- 2.1.4 Land, plant and equipments-Land and improvements, building, machinery, office equipments, vehicles and work on progress of construction: As at 31<sup>st</sup> March 2013, the Company and its subsidiaries had Land, plant and equipments - net of Baht 447.90 million (or 18.41 percent of total assets) and Baht 349.50 million (or 22.95 percent of total assets) respectively. The increase in value was from the efficiency upgrading of a shearing machine of company, purchasing machines for exhausted pipe in a subsidiary and including land, building and equipments from a new subsidiary.
- 2.1.5 Restricted fix deposit: As at 31<sup>st</sup> March 2013 the Company and its subsidiaries had net value of Baht 46.00 million (or 1.89 percent of total assets). The restricted fix deposit was used as guarantee for loans from financial institution.

## 2.2 Liabilities

The total liabilities of the Company and its subsidiaries as at 31<sup>st</sup> March 2013 stood at Baht 1,072.65 million and Baht 533.98 million respectively. The major increasing in liabilities was trade payable, short term loan and trust receipt from a new subsidiary.

## 2.3 Shareholders' equity

As at 31<sup>st</sup> March 2013, shareholders' equity was Baht 1,360.24 million and Baht 988.86 million respectively. The major changes were from the net profit amounting to Baht 157.20 million, dividend paid by Baht 81.95 million and non-controlling interest portion by Baht 169.36 million. During the year, company issued new shares by 63 million shares with the market value of Baht 252 million to settle acquisition price to ex-shareholders of a new subsidiary company.

Debt to Equity ratio, as at 31<sup>st</sup> March 2013, the ratios were at 0.79 times and 0.54 times respectively.

## 3. Cash flows

(Unit: Baht million)

Consolidated cash flows statement	As at 31 <sup>st</sup> March 2013	As at 31 <sup>st</sup> March 2012
Net cash from (used in) operating activities	180.29	151.41
Net cash used in investing activities	-52.81	-57.88
Net cash from (used in) financing activities	-94.07	-73.66
Effect of exchange rate to cash and cash equivalent	0.02	0.01
Net increase (decrease) in cash	33.43	19.88

For the period of year ended 31<sup>st</sup> March 2013, the Company and its subsidiaries had net positive cash from operating activities of Baht 180.29 million, consisting of positive cash inflow from profit of Baht 285.38 million but decreased in net working capital by Baht -105.09 million. The decreased in newt working capital was due to higher in receivable and inventories even though company had longer credit term from raw material supplier.

Beside, the Company used cash in investing activities of Baht -52.81 million, mostly in machine and equipments of the subsidiary, the upgrading of a cutting machine and cash balance from a new subsidiary.

The cash flow from the financing activities was net decrease by Baht -94.07 million with consisting of repayment of short term loan by Baht -7.05 million, dividend payment of Baht -81.95 million. In overall, it was the net increase in cash of Baht 33.43 million.

Lohakit Metal Public Company Limited  
and its subsidiaries  
Report and consolidated financial statements  
31 March 2013

## **Independent Auditor's Report**

To the Shareholders of Lohakit Metal Public Company Limited

I have audited the accompanying consolidated financial statements of Lohakit Metal Public Company Limited and its subsidiaries, which comprise the consolidated statement of financial position as at 31 March 2013, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and have also audited the separate financial statements of Lohakit Metal Public Company Limited for the same period.

## **Management's Responsibility for the Financial Statements**

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

## **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **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 2013, and their financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.

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

Gingkarn Atsawarangsalit

Certified Public Accountant (Thailand) No. 4496

Ernst & Young Office Limited

Bangkok: 27 May 2013

Lohakit Metal Public Company Limited and its subsidiaries

Statement of financial position

As at 31 March 2013

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	<u>Note</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	7	87,280,600	53,847,848	52,668,017	45,689,800
Current investment	8	70,512,620	-	-	-
Trade and other receivables	6, 9	855,392,834	541,542,247	458,454,451	377,789,620
Inventories	10	896,034,793	553,949,706	518,095,917	375,461,027
Other current assets		6,657,557	7,029,010	5,626,647	6,386,915
<b>Total current assets</b>		<b>1,915,878,404</b>	<b>1,156,368,811</b>	<b>1,034,845,032</b>	<b>805,327,362</b>
<b>Non-current assets</b>					
Restricted bank deposits	11	46,000,000	5,000,000	5,000,000	5,000,000
Investments in subsidiaries	12	-	-	403,237,145	144,998,600
Investment in associated company	13	11,250,578	9,140,526	4,900,000	4,900,000
Long-term investment	8	3,210,471	-	-	-
Other long-term investment	14	5,000,000	-	-	-
Property, plant and equipment	15	447,901,459	349,495,109	152,435,879	126,140,477
Intangible assets	16	478,313	376,927	64,139	175,714
Other non-current assets		3,176,629	2,462,564	2,372,900	1,863,835
<b>Total non-current assets</b>		<b>517,017,450</b>	<b>366,475,126</b>	<b>568,010,063</b>	<b>283,078,626</b>
<b>Total assets</b>		<b>2,432,895,854</b>	<b>1,522,843,937</b>	<b>1,602,855,095</b>	<b>1,088,405,988</b>

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

**Lohakit Metal Public Company Limited and its subsidiaries**
**Statement of financial position (continued)**
**As at 31 March 2013**

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	<u>Note</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<b>Liabilities and shareholders' equity</b>					
<b>Current liabilities</b>					
Short-term loans from financial institutions	17	469,895,915	266,171,794	142,800,464	138,671,174
Trade and other payables	6, 18	531,499,387	223,115,441	355,899,696	116,385,814
Current portion of financial lease payables	19	4,348,875	3,633,151	2,155,708	2,315,710
Income tax payable		25,108,426	9,348,906	17,294,187	9,348,906
Other current liabilities		8,440,279	6,069,717	3,510,202	4,410,691
<b>Total current liabilities</b>		<b>1,039,292,882</b>	<b>508,339,009</b>	<b>521,660,257</b>	<b>271,132,295</b>
<b>Non-current liabilities</b>					
Financial lease payables - net of current portion	19	8,033,339	9,569,111	4,658,966	5,963,414
Provision for long-term employee benefits	20	25,328,478	16,075,911	12,137,983	11,332,102
Other non-current liabilities		1,400	1,400	-	-
<b>Total non-current liabilities</b>		<b>33,363,217</b>	<b>25,646,422</b>	<b>16,796,949</b>	<b>17,295,516</b>
<b>Total liabilities</b>		<b>1,072,656,099</b>	<b>533,985,431</b>	<b>538,457,206</b>	<b>288,427,811</b>

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



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

**Statement of financial position (continued)**

**As at 31 March 2013**

		(Unit: Baht)			
		Consolidated financial statements		Separate financial statements	
	Note	2013	2012	2013	2012
<b>Shareholders' equity</b>					
Share capital					
Registered	21				
383,000,000 ordinary shares of Baht 1 each		383,000,000	320,000,000	383,000,000	320,000,000
(31 March 2012: 320,000,000 ordinary shares of Baht 1 each)					
Issued and fully paid-up					
383,000,000 ordinary shares of Baht 1 each		383,000,000	320,000,000	383,000,000	320,000,000
(31 March 2012: 320,000,000 ordinary shares of Baht 1 each)					
Share premium		519,672,600	330,672,600	519,672,600	330,672,600
Retained earnings					
Appropriated - statutory reserve	22	38,047,435	24,457,435	25,707,335	21,237,335
Unappropriated		250,130,514	183,316,018	136,017,954	128,068,242
Other components of shareholders' equity		25,279	-	-	-
Equity attributable to owners of the Company		1,190,875,828	858,446,053	1,064,397,889	799,978,177
Non-controlling interests of the subsidiary		169,363,927	130,412,453	-	-
<b>Total shareholders' equity</b>		<b>1,360,239,755</b>	<b>988,858,506</b>	<b>1,064,397,889</b>	<b>799,978,177</b>
<b>Total liabilities and shareholders' equity</b>		<b>2,432,895,854</b>	<b>1,522,843,937</b>	<b>1,602,855,095</b>	<b>1,088,405,988</b>

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

Directors

**Lohakit Metal Public Company Limited and its subsidiaries**
**Statement of comprehensive income**
**For the year ended 31 March 2013**

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2013	2012	2013	2012
<b>Profit or loss:</b>					
<b>Revenues</b>					
Sales and service income		2,889,378,413	2,287,867,227	1,854,100,182	1,697,806,169
Dividend income		24,774	-	7,718,362	-
Gain from purchase of investment		9,596,563	-	-	-
Other income		39,639,118	34,072,619	27,436,681	32,533,452
<b>Total revenues</b>		<b>2,938,638,868</b>	<b>2,321,939,846</b>	<b>1,889,255,225</b>	<b>1,730,339,621</b>
<b>Expenses</b>					
Cost of sales and services		2,542,056,786	2,037,688,180	1,673,589,193	1,553,660,373
Selling expenses		63,293,402	50,402,292	38,446,565	30,615,028
Administrative expenses		83,985,140	67,607,622	50,263,166	51,226,295
<b>Total expenses</b>		<b>2,689,335,328</b>	<b>2,155,698,094</b>	<b>1,762,298,924</b>	<b>1,635,501,696</b>
<b>Profit before share of profit from investment</b>					
in associate, finance cost and income tax expenses		249,303,540	166,241,752	126,956,301	94,837,925
Share of profit from investment in associate	13	2,110,052	1,622,887	-	-
<b>Income before finance cost and income tax expenses</b>		<b>251,413,592</b>	<b>167,864,639</b>	<b>126,956,301</b>	<b>94,837,925</b>
Finance cost		(17,945,134)	(19,599,532)	(7,839,038)	(12,862,582)
<b>Profit before income tax expenses</b>		<b>233,468,458</b>	<b>148,265,107</b>	<b>119,117,263</b>	<b>81,975,343</b>
Income tax expenses	24	(32,166,849)	(25,780,730)	(29,897,551)	(25,780,730)
<b>Profit for the year</b>		<b>201,301,609</b>	<b>122,484,377</b>	<b>89,219,712</b>	<b>56,194,613</b>
<b>Other comprehensive income:</b>					
Gain on changes in value of available-for-sale investment		25,279	-	-	-
<b>Total comprehensive income for the year</b>		<b>201,326,888</b>	<b>122,484,377</b>	<b>89,219,712</b>	<b>56,194,613</b>
<b>Profit attributable to:</b>					
Equity holders of Company		157,204,535	96,723,840	89,219,712	56,194,613
Non-controlling interests of the subsidiary		44,097,074	25,760,537		
		<b>201,301,609</b>	<b>122,484,377</b>		
<b>Total comprehensive income attributable to:</b>					
Equity holders of the Company		157,229,814	96,723,840	89,219,712	56,194,613
Non-controlling interests of the subsidiary		44,097,074	25,760,537		
		<b>201,326,888</b>	<b>122,484,377</b>		
<b>Earnings per share</b>	26				
Basic earnings per share					
Profit attributable to equity holders of the Company		0.48	0.30	0.27	0.18
Weighted average number of ordinary shares (shares)		330,356,164	320,000,000	330,356,164	320,000,000

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

(Unit: Baht)

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

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

**Statement of changes in shareholders' equity (continued)**

**For the year ended 31 March 2013**

	Separate financial statements				(Unit: Baht)	
	Issued and fully paid-up share capital	Share premium	Retained earnings			Total shareholders' equity
			Appropriated - statutory reserve	Unappropriated		
<b>Balance as at 1 April 2011</b>						
(As restated - cumulative effect of change in accounting policy for employee benefits)	320,000,000	330,672,600	18,427,585	145,083,379	814,183,564	
Dividend paid (Note 29)	-	-	-	(70,400,000)	(70,400,000)	
Total comprehensive income for the year	-	-	-	56,194,613	56,194,613	
Transferred to appropriated retained earnings						
- statutory reserve (Note 22)	-	-	2,809,750	(2,809,750)	-	
<b>Balance as at 31 March 2012</b>	<u>320,000,000</u>	<u>330,672,600</u>	<u>21,237,335</u>	<u>128,068,242</u>	<u>799,978,177</u>	
<b>Balance as at 1 April 2012</b>	320,000,000	330,672,600	21,237,335	128,068,242	799,978,177	
Increase in share capital (Note 21)	63,000,000	189,000,000	-	-	252,000,000	
Dividend paid (Note 29)	-	-	-	(76,800,000)	(76,800,000)	
Total comprehensive income for the year	-	-	-	89,219,712	89,219,712	
Transferred to appropriated retained earnings						
- statutory reserve (Note 22)	-	-	4,470,000	(4,470,000)	-	
<b>Balance as at 31 March 2013</b>	<u>383,000,000</u>	<u>519,672,600</u>	<u>25,707,335</u>	<u>136,017,954</u>	<u>1,064,397,889</u>	

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

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

**Cash flow statement**

**For the year ended 31 March 2013**

			(Unit: Baht)	
	Consolidated financial statements		Separate financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<b>Cash flows from operating activities</b>				
Profit before tax	233,468,458	148,265,107	119,117,263	81,975,343
Adjustments to reconcile profit before tax to net cash provided by (used in) operating activities:				
Depreciation	66,642,714	56,039,186	15,212,767	15,431,570
Amortisation	184,669	1,474,933	111,574	1,078,802
Reversal of allowance for doubtful accounts	(239,906)	(4,041,284)	-	(3,396,230)
Decrease of inventory to be at net realisable value	17,177,062	3,131,291	15,529,183	1,537,268
Loss (gain) on sales of equipment	928,561	(3,808,934)	222,169	(3,411,740)
Gain from purchase of investment in subsidiary	(9,596,563)	-	-	-
Movements in provision for long-term employee benefits	1,793,454	2,130,894	805,881	1,437,003
Unrealised gain on foreign exchange	(104,349)	(909,173)	(273,420)	(324,008)
Unrealised gain from change in value of current investment	(291,595)	-	-	-
Share of profit from investment in associate	(2,110,052)	(1,622,887)	-	-
Dividend income	(24,774)	-	(7,718,362)	-
Interest income	(321,938)	(79,949)	(160,359)	(7,091,673)
Interest expense	15,686,795	17,967,797	6,197,337	11,945,382
Income from operating activities before changes in operating assets and liabilities	323,192,536	218,546,981	149,044,033	99,181,717
Decrease (increase) in operating assets				
Trade and other receivables	(118,228,318)	33,152,296	(80,692,303)	55,586,000
Inventories	(212,414,109)	(31,876,475)	(158,164,072)	(8,638,708)
Other current assets	405,317	6,719,030	760,268	6,929,412
Other non-current assets	(690,065)	(124,000)	(509,065)	-
Increase (decrease) in operating liabilities				
Trade and other payables	266,484,684	(26,798,710)	240,035,832	(36,270,894)
Other current liabilities	(40,652,656)	(617,211)	(900,490)	(868,844)
Cash flows from operating activities	218,097,389	199,001,911	149,574,203	115,918,683
Cash paid for interest expenses	(15,850,090)	(17,881,897)	(6,267,817)	(11,863,746)
Cash paid for income tax expenses	(21,956,907)	(29,700,108)	(21,952,270)	(29,675,566)
<b>Net cash from operating activities</b>	<b>180,290,392</b>	<b>151,419,906</b>	<b>121,354,116</b>	<b>74,379,371</b>

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

**Lohakit Metal Public Company Limited and its subsidiaries**
**Cash flow statement (continued)**
**For the year ended 31 March 2013**

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<b>Cash flows from investing activities</b>				
Decrease in short-term loan to related party	-	-	-	115,000,000
Cash received from interest income	427,433	79,949	160,359	8,900,560
Cash received from dividend	24,774	-	7,718,362	-
Proceed from sales of current investment	12,000,000	-	-	-
Cash paid for investment in subsidiary	-	-	(6,238,545)	(60,000,000)
Acquisition of equipment	(114,951,611)	(65,220,327)	(43,006,277)	(17,575,462)
Cash received from purchase of investment in subsidiary	45,496,863	-	-	-
Proceeds from sales of equipment	4,191,555	7,253,271	3,343,939	6,856,075
<b>Net cash from (used in) investing activities</b>	<u>(52,810,986)</u>	<u>(57,887,107)</u>	<u>(38,022,162)</u>	<u>53,181,173</u>
<b>Cash flows from financing activities</b>				
Increase (decrease) in short-term loans from financial institutions	(7,048,138)	(39,763,762)	3,957,579	(26,092,369)
Cash received from non-controlling interests of the subsidiary for capital increase in a subsidiary	-	40,000,000	-	-
Dividend paid	(81,945,639)	(70,400,000)	(76,800,000)	(70,400,000)
Repayment of financial lease payables	(5,074,010)	(3,502,343)	(3,532,449)	(2,202,415)
<b>Net cash used in financing activities</b>	<u>(94,067,787)</u>	<u>(73,666,105)</u>	<u>(76,374,870)</u>	<u>(98,694,784)</u>
<b>Effect of exchange rate to cash and cash equivalents</b>	<u>21,133</u>	<u>14,092</u>	<u>21,133</u>	<u>14,092</u>
Net increase in cash and cash equivalents	33,432,752	19,880,786	6,978,217	28,879,852
Cash and cash equivalents at beginning of year	53,847,848	33,967,062	45,689,800	16,809,948
<b>Cash and cash equivalents at end of year</b>	<u>87,280,600</u>	<u>53,847,848</u>	<u>52,668,017</u>	<u>45,689,800</u>

**Supplemental cash flows information**
**Non-cash items:**

Motor vehicles purchased under financial lease agreement	3,897,439	11,059,738	2,068,000	7,073,368
Revaluation surplus on changes in value of investments	25,279	-	-	-
Share issued to exchange of common share in subsidiary	-	-	252,000,000	-

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

## Lohakit Metal Public Company Limited and its subsidiaries

### Notes to consolidated financial statements

For the year ended 31 March 2013

#### 1. General information

Lohakit Metal Public Company Limited ("the Company") is a public company incorporated and domiciled in Thailand. The Company is principally engaged in the distribution and shearing 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 28 September 2011, issued under the Accounting Act B.E. 2543.

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

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

#### 2.2 Basis of consolidation

- a) The consolidated financial statements include the financial statements of Lohakit Metal Public Company Limited ("the Company") and the following subsidiary companies ("the subsidiaries"):

Company's name	Nature of business	Country of incorporation	Percentage of shareholding	
			2013 Percent	2012 Percent
Auto Metal Company Limited	Production, smelting and assembly for all types of metal	Thailand	60	60
Alternative Stainless Company Limited	Distribution of metal products	Thailand	100	100

Company's name	Nature of business	Country of incorporation	Percentage of shareholding	
			2013 Percent	2012 Percent
Ngeck Seng Chiang Metal Company Limited	Distribution of stainless steel, aluminum, brass, copper, zinc and galvanized steel products	Thailand	100	-

- b) Subsidiaries are fully consolidated, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
- 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.
- e) Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated profit or loss and within equity in the consolidated statement of financial position.

2.3 On 21 January 2013, the Extraordinary Shareholders' Meeting No. 1/2013 of the Company passed resolutions to:

- acquire ordinary shares of Ngeck Seng Chiang Metal Company Limited ("NSCM") of 2.3 million ordinary shares at Baht 107.37 per share, totaling Baht 246.96 million. As a result of the share acquisition, the Company hold 99.99 percent of ordinary shares of NSCM
- increase its share capital from Baht 320 million (320 million ordinary shares with a par value of Baht 1 each) to Baht 383 million (383 million ordinary shares with a par value of Baht 1 each) by issuing 63 million ordinary shares of Baht 1 each through private placement. The Company allocated 63 million of ordinary shares to NSCM's shareholders for payment of the investment in ordinary shares of NSCM.



The Company and NSCM had completed the above transactions on 31 January 2013 and the Company registered the increase of paid up share capital on 1 February 2013.

Fair value amount of the assets acquired and the liabilities of the Ngeck Seng Chiang Metal Company Limited as at the acquisition date are as follows:

	(Unit: Thousand Baht)
Cash and cash equivalents	45,497
Current investment	82,221
Trade and other receivables	195,524
Inventories	146,848
Restricted bank deposits	41,000
Long-term investment	3,185
Other long-term investment	5,000
Property, plant and equipment	51,320
Intangible assets	286
Short-term loans from financial institutions	(210,591)
Trade and other payables	(42,363)
Other assets (other liabilities) - net	(56,330)
Net assets from acquisition of subsidiary company	261,597
Fair value of common share of the Company as of the exchange date	252,000
Gain from purchase of investment	9,597

The total cost of acquisition of Baht 6 million was recorded as expense under the caption of "Administrative expenses" in the consolidated statements of comprehensive income.

Revenue and profit for the period as from 1 February 2013 to 31 March 2013 of Ngeck Seng Chiang Metal Company Limited which included in the consolidated statements of comprehensive income is Baht 133 million and Baht 6 million, respectively,

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

### 3. New accounting standards not yet effective

The Federation of Accounting Professions issued the following accounting standards, financial reporting standards, accounting standard interpretations and accounting treatment guidance, all of which are effective for fiscal years beginning on or after 1 January 2013.

Accounting Standards:

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

Financial Reporting Standard:

TFRS 8	Operating Segments
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Accounting Standard Interpretations:

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

Accounting Treatment Guidance for Transfers of Financial Assets

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 standard.

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

This accounting standard requires an entity to identify temporary differences between the carrying amount of an asset or liability in the statement of financial position and its tax base and recognise the tax effects as deferred tax assets or liabilities subjecting to certain recognition criteria.

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

In addition, the Federation of Accounting Professions has issued notifications which have been published in the Royal Gazette during the current period, mandating the use of financial reporting standard, accounting standard interpretation and financial reporting standard interpretations as follows:

		<u>Effective date</u>
Thai Financial Reporting Standard:		
TFRS 4	Insurance Contracts	1 January 2016
Accounting Standard Interpretation:		
TSIC 29	Service Concession Arrangements: Disclosures	1 January 2014
Financial Reporting Standard Interpretations:		
TFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 January 2014
TFRIC 4	Determining whether an Arrangement contains a Lease	1 January 2014
TFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 January 2014
TFRIC 7	Applying the Restatement Approach under TAS 29 Financial Reporting in Hyperinflationary Economies	1 January 2014
TFRIC 10	Interim Financial Reporting and Impairment	1 January 2014
TFRIC 12	Service Concession Arrangements	1 January 2014
TFRIC 13	Customer Loyalty Programmes	1 January 2014

The management of the Company and subsidiaries believes that these financial reporting standard, accounting standard interpretations and financial reporting standard interpretations will not have any significant impact on the financial statements for the year when they are initially applied.

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

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

###### *Sales of goods*

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

#### *Rendering of services*

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

#### *Interest income*

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

#### *Dividends*

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

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

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

### **4.3 Trade accounts receivable**

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

Finished goods purchased of a subsidiary are valued at the lower of average cost and net realisable value. Such cost consist of the purchase cost and related direct expenses less discounts and sale rebate.

Raw materials and supplies are valued at the lower of cost (weighted average basis) 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**

- a) Investments in securities held for trading are stated at fair value. Changes in the fair value of these securities are recorded in profit or loss.

- b) Investments in available-for-sale securities are stated at fair value. Changes in the fair value of these securities are recorded in other comprehensive income, and will be recorded in profit or loss when the securities are sold.
- c) Investments in debt securities, which expected to be held to maturity, are recorded at amortised cost.
- d) Investment in associated company is accounted for in the consolidated financial statements using the equity method.
- e) Investments in subsidiaries and associated company are accounted for in the separate financial statements using the cost method net of allowance for impairment loss (if any).

The fair value of unit trusts is determined from their net asset value. The fair value of debt instruments is determined based on yield rates quoted by the Thai Bond Market Association

The weighted average method is used for computation of the cost of investments.

#### **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	-	5 and 20 years
Machinery and equipment	-	5 and 10 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.

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

#### **4.7 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the 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**

The intangible assets are carried at cost less any accumulated amortisation and 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 profit or loss. The Company and its subsidiaries have computer software amortised over the economic useful life of 5 years.

#### **4.9 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.

#### **4.10 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.

#### **4.11 Long-term leases**

Leases of plant or equipment 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 profit or loss over the lease period. The assets acquired under finance leases are depreciated over the useful life of the asset.

Leases of property, plant or equipment which do not transfer substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term.

#### **4.12 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 end of reporting period, with the exception of those covered by forward exchange contracts, which are translated at the contracted rates.

Gains and losses on exchange are included in determining income.

#### **4.13 Impairment of assets**

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

An impairment loss is recognised in profit or loss.

#### **4.14 Employee benefits**

##### ***Short-term employee benefits***

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

**Post-employment benefits***Defined contribution plans*

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

**Post-employment benefits***Defined benefit plans*

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

The obligation under the defined benefit plan is determined based on actuarial techniques, using the projected unit credit method.

For the first-time adoption of TAS 19 Employee Benefits in the year ended 31 March 2012, the Company elected to recognise the transitional liability, which exceeds the liability that would have been recognised at the same date under the previous accounting policy, through an adjustment to the beginning balance of retained earnings in 2012.

**4.15 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.

**5. Significant accounting judgements and estimates**

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



## **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.

## **Allowance for diminution in value of inventories**

In determining an allowance for diminution in value of inventories, the management needs to make judgment in estimating the loss that will be incurred on the sale of the inventories, taking into account net realisable value, aging profile of outstanding inventories and the stock conditions, among other factors.

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

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

In addition, the management is required to review property, plant and equipment for impairment on a periodical basis and record impairment losses 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.

## **Post-employment benefits under defined benefit plans**

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

## 6. Related party transactions

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

(Unit: Thousand Baht)

For the years ended 31 March					
	Consolidated		Separate		Transfer Pricing Policy
	financial statements		financial statements		
	2013	2012	2013	2012	
<u>Transactions with subsidiaries</u>					
(Eliminate from the consolidated financial statements)					
Sales of goods and service income	-	-	232,083	268,646	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	-	-	-	7,012	MLR per annum
Service income	-	-	4,800	600	Accordance with the negotiation price
Dividend income	-	-	7,718	-	As approved by shareholders' meeting
Purchases of goods	-	-	397	-	Market price
Commission expenses	-	-	13	-	Not over 2% of sales
Sales of fixed assets	-	-	-	2,243	Accordance with the negotiation price
<u>Transactions with related companies</u>					
Sales of goods and service income	38,726	56,743	32,081	42,353	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	300	300	300	Fixed fee per month
Commission expenses	11,069	9,338	196	202	Not over 2% of sales
Car rental expenses	72	-	-	-	Contract price
<u>Transactions with related parties</u>					
Building rental expenses	496	-	-	-	Contract price that closed to the market price

As at 31 March 2013 and 2012, the balances of the accounts between the Company and those related companies are as follows:

(Unit: Thousand Baht)				
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<b><u>Trade and other receivables - related parties (Note 9)</u></b>				
Subsidiaries	-	-	45,594	62,298
Related company (related by common major shareholders)	-	5,063	-	4,761
Total trade and other receivables - related parties	-	5,063	45,594	67,059
<b><u>Trade and other payables - related parties (Note 18)</u></b>				
Associated company	3,145	3,514	-	-
Subsidiary	-	-	450	-
Related company (related by common major shareholders)	-	29	-	29
Total trade and other payables - related parties	3,145	3,543	450	29

#### Directors and management's benefits

For the years ended 31 March 2013 and 2012, the Company and its subsidiaries had employee benefit expenses payable to their directors and management as below.

(Unit: Thousand Baht)				
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Short-term employee benefits	38,640	32,218	23,449	21,604
Post-employment benefits	823	512	375	463
Total	39,463	32,730	23,824	22,067

## **7. Cash and cash equivalents**

(Unit: Thousand Baht)				
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Cash	125	85	55	55
Bank deposits	87,156	53,763	52,613	45,635
Total	87,281	53,848	52,668	45,690

As at 31 March 2013, bank deposits in saving accounts and fixed deposits carried interests between 0.625 and 1.70 percent per annum (2012: between 0.62 and 1.90 percent per annum).

## 8. Investments

(Unit: Thousand Baht)

	Consolidated financial statements			
	2013		2012	
	Cost	Fair value	Cost	Fair value
<u>Trading securities</u>				
Investment units in open-end fund	70,221	70,513	-	-
Total trading securities	70,221	70,513	-	-
Add: Changes in fair value	292		-	
Total trading securities	70,513		-	
<u>Available-for-sale securities</u>				
Investment units in property fund	3,185	3,210	-	-
Total available-for-sale securities	3,185	3,210	-	-
Add: Changes in fair value	25		-	
Total available-for-sale securities	3,210		-	

## 9. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
<u>Trade receivables - related parties</u>				
Aged on the basis of due dates				
Not yet due	-	2,820	34,653	44,438
Past due				
Up to 3 months	-	2,243	10,941	22,621
Total trade receivables - related parties	-	5,063	45,594	67,059
<u>Trade receivables - unrelated parties</u>				
Aged on the basis of due dates				
Not yet due	652,003	402,311	309,109	242,345
Past due				
Not over 3 months	203,213	134,140	103,707	68,358
Over 12 months	25,947	17,426	17,426	17,426
Total	881,163	553,877	430,242	328,129
Less: Allowance for doubtful accounts	(25,947)	(17,426)	(17,426)	(17,426)
Total trade receivables - unrelated parties, net	855,216	536,451	412,816	310,703
Total trade receivable - net	855,216	541,514	458,410	377,762

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<u>Other receivables</u>				
Other receivable	67	28	45	28
Interest receivable	110	-	-	-
Total other receivables	177	28	45	28
Trade and other receivables - net	855,393	541,542	458,455	377,790

## 10. Inventories

(Unit: Thousand Baht)

	Consolidated financial statements					
	Cost		Reduce cost to net realisable value		Inventories-net	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Finished goods	454,077	244,650	(46,032)	(22,968)	408,045	221,682
Raw materials	422,427	294,014	(5,819)	(3,470)	416,608	290,544
Supplies	7,632	7,578	-	-	7,632	7,578
Goods in transit	63,749	34,146	-	-	63,749	34,146
Total	947,885	580,388	(51,851)	(26,438)	896,034	553,950

(Unit: Thousand Baht)

	Separate financial statements					
	Cost		Reduce cost to net realisable value		Inventories-net	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Finished goods	222,208	172,286	(34,251)	(21,070)	187,957	151,216
Raw materials	282,764	190,891	(5,819)	(3,470)	276,945	187,421
Supplies	6,174	6,818	-	-	6,174	6,818
Goods in transit	47,020	30,006	-	-	47,020	30,006
Total	558,166	400,001	(40,070)	(24,540)	518,096	375,461

## 11. Restricted bank deposits

These represent fixed deposits of a subsidiary and the Company which pledged with the banks to secure credit facilities as described in Note 30.3.

## 12. Investments in subsidiaries

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

(Unit: Thousand Baht)

Company's name	Paid-up capital		Shareholding percentage		Cost method	
	2013	2012	2013	2012	2013	2012
	Million	Million	Percent	Percent		
	Baht	Baht				
Auto Metal Company Limited	240	240	60	60	144,000	144,000
Alternative Stainless Company Limited	1	1	100	100	999	999
Ngeck Seng Chiang Metal Company Limited	230	-	100	-	258,238	-
Total					403,237	144,999

12.1 On 19 June 2012, the Annual General Meeting of the shareholders of Auto Metal Co., Ltd. pass a resolution to approve the payment of dividend for 2012. The Company received dividend total of Baht 7.7 million.

12.2 The Company had already purchased common shares of NSCM by increase its share capital and allocate 63 million of ordinary shares to the existing shareholders of NSCM on 31 January 2013 and the Company registered the increase of paid up share capital on 1 February 2013 as described in Note 2.3.

## 13. Investments in associated company

### 13.1 Details of associate:

(Unit: Thousand Baht)								
Company's name	Nature of business	Country of incorporation	Shareholding		Separate		Consolidated	
			percentage		financial statements		financial statements	
							Carrying amount	
					Cost method		based on equity method	
			2013	2012	2013	2012	2013	2012
			%	%				
Mory Lohakit (Thailand) Co., Ltd.	Agent	Thailand	49	49	4,900	4,900	11,251	9,141

### 13.2 Share of profit and dividend received

Company's name	Consolidated financial statements		(Unit: Thousand Baht) Separate financial statements	
	Share of profit from investments in associates during the year		Dividend received during the year	
	2013	2012	2013	2012
Mory Lohakit (Thailand) Co., Ltd.	2,110	1,623	-	-

### 13.3 Summarised financial information of associate

Financial information of the associated company is summarised below.

Company's name	Paid-up capital		Total assets		Total liabilities		Total revenues		Profit	
	as at		as at		as at		for the year		for the year	
	31 March		31 March		31 March		ended		ended	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Mory Lohakit (Thailand) Co., Ltd.	10	10	24	20	1	1	11	9	4	3

### 14. Other long-term investment

This represents other long-term investment of a subsidiary of Baht 5.0 million in the 5-year debentures of a bank in Thailand, bearing interest at a rate of 4.9% per annum and maturing on 12 November 2014.

## 15. Property, plant and equipment

(Unit: Thousand Baht)

Consolidated financial statements						
	Land and land improvement	Buildings and fixture	Machinery and equipment	Furniture and office equipment	Motor Vehicles	Assets under installation and under construction  Total
<b>Cost</b>						
1 April 2011	101,003	185,983	541,157	15,326	55,959	899,428
Acquisitions	-	-	15,968	448	20,867	76,280
Disposals	-	-	(120)		(13,383)	(13,503)
Transfer in (out)	-	-	36,199			(36,199)
31 March 2012	101,003	185,983	593,204	15,774	63,443	962,205
Acquisitions	-	-	21,219	924	11,788	118,849
Disposals	-	-	(6,593)	(3,235)	(11,209)	(21,037)
Transfer in (out)	-	-	55,718	-	-	(55,718)
Acquisition of subsidiary during the year	39,443	18,770	2,468	4,666	8,692	74,039
31 March 2013	140,446	204,753	666,016	18,129	72,714	1,134,056
<b>Accumulated depreciation</b>						
1 April 2011	-	98,448	411,141	13,023	44,118	566,730
Depreciation for the year	-	8,443	40,201	762	6,633	56,039
Depreciation for disposals	-	-	(120)	-	(9,939)	(10,059)
31 March 2012	-	106,891	451,222	13,785	40,812	612,710
Depreciation for the year	-	8,452	50,038	759	7,394	66,643
Depreciation for disposals	-	-	(6,593)	(3,234)	(6,089)	(15,916)
Acquisition of subsidiary during the year	-	13,011	2,337	4,078	3,292	22,718
31 March 2013	-	128,354	497,004	15,388	45,409	686,155
<b>Net book value</b>						
31 March 2012	101,003	79,092	141,982	1,989	22,631	349,495
31 March 2013	140,446	76,399	169,012	2,741	27,305	447,901
<b>Depreciation for the year</b>						
2012 (Baht 51.1 million included in manufacturing cost, and the balance in selling and administrative expenses)						56,039
2013 (Baht 61.4 million included in manufacturing cost, and the balance in selling and administrative expenses)						66,643



Separate financial statements							
	Land and land improvement	Buildings and fixtures	Machinery and equipment	Furniture and office equipment	Motor vehicles	Assets under installation and under construction	Total
<b>Cost</b>							
1 April 2011	73,062	107,781	331,794	12,998	45,958	-	571,593
Acquisitions	-	-	2,792	400	14,409	7,048	24,649
Disposals	-	-	(120)	-	(12,676)	-	(12,796)
Transfer in (out)	-	-	5,349	-	-	(5,349)	-
31 March 2012	73,062	107,781	339,815	13,398	47,691	1,699	583,446
Acquisitions	-	-	2,455	475	9,902	32,242	45,074
Disposals	-	-	(6,438)	(3,235)	(8,718)	-	(18,391)
Transfer in (out)	-	-	9,129	-	-	(9,129)	-
31 March 2013	73,062	107,781	344,961	10,638	48,875	24,812	610,129
<b>Accumulated depreciation</b>							
1 April 2011	-	84,947	317,157	11,420	37,702	-	451,226
Depreciation for the year	-	4,523	5,926	545	4,438	-	15,432
Depreciation for disposals	-	-	(120)	-	(9,232)	-	(9,352)
31 March 2012	-	89,470	322,963	11,965	32,908	-	457,306
Depreciation for the year	-	4,390	5,641	493	4,688	-	15,212
Depreciation for disposals	-	-	(6,438)	(3,234)	(5,153)	-	(14,825)
31 March 2013	-	93,860	322,166	9,224	32,443	-	457,693
<b>Net book value</b>							
31 March 2012	73,062	18,311	16,852	1,433	14,783	1,699	126,140
31 March 2013	73,062	13,921	22,795	1,414	16,432	24,812	152,436
<b>Depreciation for the year</b>							
2012 (Baht 11.0 million included in manufacturing cost, and the balance in selling and administrative expenses)							15,432
2013 (Baht 10.7 million included in manufacturing cost, and the balance in selling and administrative expenses)							15,212

As at 31 March 2013, motor vehicles have been pledged as collateral against liabilities under finance lease agreements, amounting to Baht 12.9 million (31 March 2012: Baht 14.9 million) (Separate financial statements: Baht 6.7 million (31 March 2012: Baht 9.8 million)).

As at 31 March 2013, the Company and a subsidiary have certain equipment items which have been fully depreciated but are still in use. The gross carrying amount (before deducting accumulated depreciation) of those assets amounted to approximately Baht 425.3 million (31 March 2012: Baht 370.8 million) (Separate financial statements: Baht 377.1 million, (31 March 2012: Baht 359.1 million)).

The Company and a subsidiary have mortgaged all of their land with structures thereon and pledged the following machinery with banks, and another subsidiary has mortgaged unit of condominium with bank, to secure loans and other credit facilities granted to the Company and its subsidiaries by the banks as described in Note 30.3.

The book value of machinery of the Company and a subsidiary pledged with banks are summarised below:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Cost	306	306	197	197
Net book value	31	41	-	-

## 16. Intangible assets

The net book value of intangible assets as at 31 March 2013 and 2012 presented below.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
As at 31 March 2013:	14,208	14,208	11,899	11,899
Cost	494	-	-	-
Less: Accumulated amortisation	(14,224)	(13,831)	(11,835)	(11,723)
Net book value	<u>478</u>	<u>377</u>	<u>64</u>	<u>176</u>

A reconciliation of the net book value of intangible assets for the years 2013 and 2012 is presented below.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Net book value at beginning of year	377	1,852	176	1,255
Acquisitions of subsidiary during the year	286	-	-	-
Amortisation	(185)	(1,475)	(112)	(1,079)
Net book value at end of year	<u>478</u>	<u>377</u>	<u>64</u>	<u>176</u>

## 17. Short-term loans from financial institutions

(Unit: Thousand Baht)

	Interest rate (percent per annum)		Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012	2013	2012
Short-term loans from banks	4.25 - 4.60	5.05	215,000	100,000	10,000	10,000
Trust receipts	1.90 - 5.35	5.25 - 5.85	254,896	166,172	132,800	128,671
			<u>469,896</u>	<u>266,172</u>	<u>142,800</u>	<u>138,671</u>

Short-term loans from banks represent promissory notes maturing within 1 - 4 months.

Bank overdrafts, short-term loans and trust receipts facilities are secured by the directors, and by the Company's and its subsidiaries' land with structures thereon, unit of condominium, and machinery, as described in Note 30.3.

## 18. Trade and other payables

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Trade payables - unrelated parties	501,243	200,309	345,478	104,706
Trade payables - related party	-	-	425	-
Other payables - unrelated parties	24,263	14,293	8,756	9,168
Other payables - related party	3,145	3,514	25	-
Accrued commission expenses - unrelated parties	273	41	250	-
Accrued commission expenses - related party	-	29	-	29
Accrued expenses	<u>2,575</u>	<u>4,929</u>	<u>965</u>	<u>2,483</u>
Total trade and other payables	<u>531,499</u>	<u>223,115</u>	<u>355,899</u>	<u>116,386</u>

## 19. Liabilities under finance lease agreements

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Liabilities under finance lease agreements	13,466	14,766	7,463	9,252
Less : Deferred interest expenses	<u>(1,084)</u>	<u>(1,564)</u>	<u>(648)</u>	<u>(973)</u>
Total	12,382	13,202	6,815	8,279
Less: Portion due within one year	<u>(4,349)</u>	<u>(3,633)</u>	<u>(2,156)</u>	<u>(2,316)</u>
Liabilities under finance lease agreements - net of current portion	<u>8,033</u>	<u>9,569</u>	<u>4,659</u>	<u>5,963</u>

The Company and its subsidiaries have entered into the finance lease agreements with leasing companies for rental of motor vehicles for use in their operation, whereby it is committed to pay rental on a monthly basis. The terms of the agreements are generally 3 - 5 years.

Future minimum lease payments required under the finance lease agreements were as follows:

(Unit: Thousand Baht)

	Consolidated financial statements					
	2013			2012		
	Less than 1	1-5		Less than 1	1-5	
	year	years	Total	year	years	Total
Future minimum lease payments	5,157	8,309	13,466	4,678	10,088	14,766
Deferred interest expenses	(808)	(276)	(1,084)	(1,045)	(519)	(1,564)
Present value of future minimum lease payments	4,349	8,033	12,382	3,633	9,569	13,202

(Unit: Thousand Baht)

	Separate financial statements					
	2013			2012		
	Less than 1	1-5		Less than 1	1-5	
	year	years	Total	year	years	Total
Future minimum lease payments	2,637	4,825	7,462	2,946	6,306	9,252
Deferred interest expenses	(481)	(166)	(647)	(630)	(343)	(973)
Present value of future minimum lease payments	2,156	4,659	6,815	2,316	5,963	8,279

## 20. Provision for long-term employee benefits

Provision for long-term employee benefits, which is compensations on employees' retirement, was as follows:

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Defined benefit obligation at beginning of year	16,076	13,945	11,332	9,895
Addition from acquisition of subsidiary during the year	7,459	-	-	-
Current service cost	1,056	1,550	322	1,025
Interest cost	<u>737</u>	<u>581</u>	<u>484</u>	<u>412</u>
Provisions for long-term employee benefits at end of year	<u>25,328</u>	<u>16,076</u>	<u>12,138</u>	<u>11,332</u>

Long-term employee benefit expenses included in the profit or loss was as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current service cost	1,056	1,550	322	1,025
Interest cost	737	581	484	412
<b>Total expense recognized in profit or loss</b>	<b>1,793</b>	<b>2,131</b>	<b>806</b>	<b>1,437</b>
Line items under which such expenses are included in profit or loss				
Selling and administrative expenses	1,793	2,131	806	1,437

Principal actuarial assumptions at the valuation date were as follows:

	Consolidated and separate		Separate and separate	
	financial statements		financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	(% per annum)	(% per annum)	(% per annum)	(% per annum)
Discount rate	3.99 - 4.29%	3.68 - 4.30%	4.27%	4.16%
Future salary increase rate (depending on age)	3.0%	3.0%	3.0%	3.0%

Amounts of defined benefit obligation for the current and previous two periods are as follows:

	(Unit: Thousand Baht)	
	Defined benefit obligation	
	Consolidated	Separate
	financial	financial
	statements	statements
Year 2013	25,328	12,138
Year 2012	16,076	11,332
Year 2011	13,945	9,895

## 21. Share capital

On 21 January 2013, the Extraordinary Shareholders' Meeting No. 1/2013 of the Company passed resolutions to increase its share capital from Baht 320 million (320 million ordinary shares with a par value of Baht 1 each) to Baht 383 million (383 million ordinary shares with a par value of Baht 1 each) by issuing 63 million ordinary shares at par value of Baht 1 each through private placement. The Company allocated its 63 million ordinary shares to NSCM's shareholders for payment of the investment in ordinary shares of NSCM. The Company and NSCM had completed the above transactions on 31 January 2013 and the Company registered the increase of paid up share capital with ministry of commerce on 1 February 2013, as described in Note 2.3.

## 22. Statutory reserve

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

As at 31 March 2013, the Company has transferred profit amounting to Baht 4.5 million (2012: Baht 2.8 million) to the statutory reserve.

## 23. Expenses by nature

Significant expenses by nature are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Salary and wages and other employee benefits	143,687	107,589	79,658	68,244
Depreciation expenses	66,643	56,039	15,213	15,432
Amortisation expenses	185	1,475	112	1,079
Raw materials used	2,250,209	1,912,886	1,610,503	1,473,779
Consumables used	46,033	33,823	33,330	28,328
Purchase of finished good	103,204	-	-	-
Changes in inventories of finished goods				
and work in progress	(58,435)	(39,050)	(49,922)	(11,083)
Decrease of inventory to net realisable value	17,177	3,131	15,529	1,537

## 24. Corporate income tax

Corporate income tax of the Company were calculated at the rate of 23 percent (2012: 30 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.

Taxable profits (Baht)	Tax rate (%)	
	2013	2012
1 - 150,000	0	0
150,001 - 1,000,000	15	15
1,000,001 - 3,000,000	23	25
Over 3,000,000	23	30

Corporate income tax of another subsidiary which operates the promoted operations (as described in Note 25) were calculated at the rate of 23 percent (2012: 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).

## 25. Promotional Privileges

The Company has received promotional privileges from the Board of Investment for the shearing and converting of flat metal, 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 for the year ended 31 March 2013 and 2012 were derived from sales and service of BOI promoted products amounted to Baht 984 million and Baht 625 million, respectively.

## **26. Basic earnings per share**

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

## **27. 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 2013 and 2012 amounted to Baht 26 million and Baht 52 million, respectively (Separate financial statements: Baht 19 million, (31 March 2012: Baht 28 million)).

## **28. Provident fund**

The Company, its two 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 2013, the Company and its subsidiaries contributed Baht 2.5 million (31 March 2012: Baht 1.9 million) (Separate financial statements: Baht 1.7 million, (31 March 2012: Baht 1.4 million)) to the fund.



## 29. Dividend

	Approved by	Total dividends (Million Baht)	Dividend per share (Baht)	Payment date
Final dividends for 2012	Annual General Meeting of the shareholders on 26 July 2012	44.80	0.14	10 August 2012
Interim dividends for 2013	The Board of Directors Meeting on 14 November 2012	32.00	0.10	13 December 2012
Total dividends for 2013		<u>76.80</u>	<u>0.24</u>	
Final dividends for 2011	Annual General Meeting of the shareholders on 26 July 2011	70.40	0.22	15 August 2011
Total dividends for 2012		<u>70.40</u>	<u>0.22</u>	

## 30. Commitments and contingent liabilities

### 30.1 Operating lease commitments

The Company and its subsidiaries have entered into a lease agreement in respect of the office building space, building and vehicles. The terms of the agreements are generally 1 - 20 years.

As at 31 March 2013, future minimum lease payments required under these non-cancellable operating leases contracts were as follows.

	(Unit: Million Baht)	
	As at 31 March	
	<u>2013</u>	<u>2012</u>
Payable:		
In up to 1 year	3.7	2.6
In over 1 and up to 5 years	0.8	1.1
In over 5 years	1.8	-

### 30.2 Other service commitment

On 1 April 2012, the Company and a subsidiary entered into the business agreement with a company which is situated for a period from 1 April 2012 to 31 March 2014. The Company and the subsidiary had commitment to pay service fee of Baht 3.6 million per year.

### 30.3 Credit facilities

As at 31 March 2013, the Company and its subsidiaries have been granted credit facilities by various financial institutions for which it has placed collaterals, as follows:-

#### The Company

- Letter of credit, trust receipts, guarantee and short-term loan facilities totaling Baht 1,460.5 million, of which totaling Baht 249.9 million (2012: Baht 201.5 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. (2012: Nil) The credit facilities are secured by the mortgage of the Company's land with structures thereon and machinery and the pledge of fixed deposit of the Company.
- Forward exchange contract facility of Baht 1,000 million, of which Baht 29.3 million (2012: Baht 44.5 million) of utilised amounts is outstanding. This credit facility is secured by the mortgage of the Company's land with structures thereon and machinery.

#### A subsidiary

- Letter of credit, trust receipts, guarantees and short-term loan facilities totaling Baht 300 million, of which Baht 142.8 million (2012: Baht 154.2 million) of utilised amount 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 utilized (2012: Nil). This credit facility is secured by the mortgage of the subsidiary's land with structures thereon.

- Forward exchange contract facility of Baht 200 million, which has not yet been utilized (2012: Baht 42.1 million). This credit facility is secured by the mortgage of the subsidiary's land with structures thereon and machinery.

#### **Another subsidiary**

- Letter of credit, trust receipts, guarantees and short-term loan facilities totaling Baht 516 million, of which Baht. 213 million of utilised amount is outstanding. These credit facilities are secured by the mortgage of the subsidiary's units of condominium which be the subsidiary's office, fixed deposit accounts and guarantees provided by two directors of the subsidiary.
- Overdraft facilities of Baht 65 million that have not yet been utilized. These credit facilities are secured by fixed deposit accounts and a guarantee provided by the subsidiary's director.
- Forward exchange contract facilities, comprising USD 11.7 million (equivalent to Baht 344 million) and Baht 6 million, or a total approximately Baht 350 million. The facilities, which have not yet been utilized, are secured by fixed deposit accounts and guarantees provided by two directors of the subsidiary.

### **31. Financial instruments**

#### **31.1 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, investment, trade and other receivables, trade and other payables, short-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. 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 as stated in the statement of financial position.

### Interest rate risk

The Company's and subsidiaries' exposure to interest rate risk relates primarily to its cash at banks and short-term borrowings. Most of the Company's and subsidiaries' financial assets and liabilities are short-term, with 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 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.

(Unit: Million Baht)

Consolidated financial statements as at 31 March 2013

Consolidated financial statements as at 31 March 2019

	Fixed interest rate					
	Within		Floating	Non-interest		Effective
	1 year	1 - 5 years	interest rate	bearing	Total	interest rate
						(% p.a.)
<b>Financial assets</b>						
Cash and cash equivalents	1.5	-	9.8	75.9	87.2	0.625 - 1.95
Current investment	-	-	-	70.5	70.5	-
Trade and other receivables	-	-	-	855.4	855.4	-
Restricted deposits at banks	46.0	-	-	-	46.0	1.60 - 1.95
Long-term investment	-	-	-	3.2	3.2	-
Other long-term investment	-	-	-	5.0	5.0	4.90
	<u>47.5</u>	<u>-</u>	<u>9.8</u>	<u>1,010.0</u>	<u>1,067.3</u>	
<b>Financial liabilities</b>						
Short-term loans from						
financial institutions	469.9	-	-	-	469.9	1.90 - 5.35
Trade and other payables	-	-	-	531.5	531.5	-
Financial lease payables	<u>4.3</u>	<u>8.1</u>	<u>-</u>	<u>-</u>	<u>12.4</u>	<u>6.37 - 12.17</u>
	<u>474.2</u>	<u>8.1</u>	<u>-</u>	<u>531.5</u>	<u>1,013.8</u>	

(Unit : Million Baht)

## Consolidated financial statements as at 31 March 2012

	Fixed interest rate		Floating interest rate	Non-interest bearing	Total	Effective interest rate (% p.a.)
	Within 1 year	1 - 5 years				
<b>Financial assets</b>						
Cash and cash equivalents	1.3	-	2.6	49.9	53.8	0.62 - 1.90
Trade and other receivables	-	-	-	541.5	541.5	-
Restricted deposit at bank	5.0	-	-	-	5.0	0.95
	6.3	-	2.6	591.4	600.3	
<b>Financial liabilities</b>						
Short-term loans from financial institutions	266.2	-	-	-	266.2	5.05 - 5.85
Trade and other payables	-	-	-	223.1	223.1	-
Financial lease payables	3.6	9.6	-	-	13.2	6.37 - 12.17
	269.8	9.6	-	223.1	502.5	

(Unit : Million Baht)

## Separate financial statements as at 31 March 2013

	Fixed interest rate		Floating interest rate	Non-interest bearing	Total	Effective interest rate (% p.a.)
	Within 1 year	1 - 5 years				
<b>Financial assets</b>						
Cash and cash equivalents	1.5	-	1.4	49.8	52.7	0.625 - 1.70
Trade and other receivables	-	-	-	458.4	458.4	
Restricted deposit at bank	5.0	-	-	-	5.0	2.35
	6.5	-	1.4	508.2	516.1	
<b>Financial liabilities</b>						
Short-term loans from financial institutions	142.8	-	-	-	142.8	2.15 - 5.35
Trade and other payables	-	-	-	355.9	355.9	
Financial lease payables	2.1	4.7	-	-	6.8	6.37 - 11.54
	144.9	4.7	-	355.9	505.5	

(Unit : Million Baht)

## Separate financial statements as at 31 March 2012

	Fixed interest rate		Floating interest rate	Non-interest bearing	Total	Interest rate (% p.a.)
	Within 1 year	1 - 5 years				
<b>Financial assets</b>						
Cash and cash equivalents	1.3	-	2.5	41.9	45.7	0.62 - 1.90
Trade and other receivables	-	-	-	377.8	377.8	-
Restricted deposit at bank	5.0	-	-	-	5.0	0.95
	6.3	-	2.5	419.7	428.5	

(Unit : Million Baht)

## Separate financial statements as at 31 March 2012

	Fixed interest rate		Floating interest rate	Non-interest bearing	Total	Interest rate (% p.a.)
	Within 1 year	1 - 5 years				
<b>Financial liabilities</b>						
Short-term loans from financial institutions	138.7	-	-	-	138.7	5.05 - 5.85
Trade and other payables	-	-	-	116.4	116.4	-
Financial lease payables	2.3	6.0	-	-	8.3	6.37 - 11.54
	<u>141.0</u>	<u>6.0</u>	<u>-</u>	<u>116.4</u>	<u>263.4</u>	

**Foreign currency risk**

The Company's and subsidiaries' exposure to foreign currency risk arises mainly from sales and purchase transactions and short-term borrowing that are denominated in foreign currencies. The Company and its 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 Company and its subsidiaries had the significant balances of financial assets and liabilities denominated in foreign currencies as summarised below.

Foreign currency	Financial assets		Financial liabilities		Average exchange rate	
	as at 31 March		as at 31 March		as at 31 March	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	(Million)	(Million)	(Million)	(Million)	(Baht per 1 foreign currency unit)	
US dollar	0.2	0.1	5.9	3.9	29.309	30.843
Japanese yen	1.6	3.0	37.6	-	0.312	0.376

As of 31 March 2013 and 2012, the Company and its subsidiaries have foreign exchange contracts as summarized below.

Foreign currency	Bought amount	Sold amount	Contractual exchange rate	
			Bought	Sold
	(Million)	(Million)	(Baht per 1 foreign currency unit)	
<b><u>As at 31 March 2013</u></b>				
US dollar	1.0	-	29.31 - 29.33	-
<b><u>As at 31 March 2012</u></b>				
US dollar	2.5	0.02	30.37 - 31.99	30.81
Japanese yen	18.3	-	0.37 - 0.38	-

### **31.2 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 statements of financial position.

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.

### **32. Capital management**

The primary objective of the Company's capital management is to ensure that it has appropriate capital structure in order to support its business and maximise shareholder value. As at 31 March 2013, the Group's total debt-to-equity ratio was 0.79:1 (31 March 2012: 0.54:1) and the Company's total debt-to-equity ratio was 0.51:1 (31 March 2012: 0.36:1).

### **33. Event after the reporting period**

On 27 May 2013, the meeting of the Company's Board of Directors passed a resolution to propose for approval by the Annual General Meeting of its shareholders, the dividend payment to the Company's shareholders of Baht 0.22 per share from its net operating profit for the year ended 31 March 2013. However, by the resolution of the meeting of the Company's Board of Directors No 5/2555 held on 14 November 2012, the Company had paid out the interim dividend of Baht 0.10 per share, for 320 million ordinary shares, to the Company's shareholders totaling Baht 32 million on 13 December 2012. The remaining dividend is Baht 0.12 per share, for 383 million ordinary shares, or totaling Baht 45.96 million. The dividend will be paid on 9 August 2013.

### **34. Approval of financial statements**

These financial statements were authorised for issue by the Company's Board of Directors on 27 May 2013.

## Location Map of the Company

### 1. Head Office (Factory)



### 2. Sales Office

**Lohakit Metal Public Company Limited**  
**Sales office**  
889 Thai CC Tower Rm. 167-169, 16th Floor  
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