

Lohakit Metal Public Company Limited and its subsidiaries

Notes to interim consolidated financial statements

For the three-month and nine-month periods ended 31 December 2012

1. General information

1.1 Corporate information

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

1.2 Basis of preparation of interim financial statements

These interim financial statements are prepared in accordance with Thai Accounting Standard No. 34 (revised 2009) "Interim Financial Reporting", with the Company choosing to present condensed interim financial statements. However, the Company has presented the statements of financial position, comprehensive income, changes in shareholders' equity, and cash flows in the same format as that used for the annual financial statements.

The interim financial statements are intended to provide information additional to that included in the latest annual financial statements. Accordingly, they focus on new activities, events, and circumstances so as not to duplicate information previously reported. These interim financial statements should therefore be read in conjunction with the latest annual financial statements.

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

1.3 Significant accounting policies

The interim financial statements are prepared using the same accounting policies and methods of computation as were used for the financial statements for the year ended 31 March 2012.

2. Related party transactions

During the periods, 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 three-month periods ended 31 December				Transfer Pricing Policy
	Consolidated		Separate		
	financial statements	financial statements	financial statements	financial statements	
	2012	2011	2012	2011	
<u>Transactions with subsidiaries</u>					
(Eliminate from the consolidated financial statements)					
Sales of goods and service income	-	-	50,533	48,379	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	-	-	-	1,794	MLR per annum
Service expenses	-	-	1,200	300	Accordance with the negotiated price
<u>Transactions with related parties</u>					
Sales of goods and service income	9,448	9,791	6,783	7,526	Sales of goods: Closed to the net selling price that is sold to major customers Service income: Closed to the market price
Rental income	75	75	75	75	Fixed fee per month
Commission expenses	2,714	1,541	61	17	Not over 2% of sales

(Unaudited but reviewed)

(Unit: Thousand Baht)

	For the nine-month periods ended 31 December				Transfer Pricing Policy
	Consolidated		Separate		
	financial statements	financial statements	financial statements	financial statements	
	2012	2011	2012	2011	
<u>Transactions with subsidiaries</u>					
(Eliminate from the consolidated financial statements)					
Sales of goods and service income	-	-	176,357	193,707	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	-	-	-	5,846	MLR per annum
Proceed from sales assets	-	-	-	2,243	Accordance with the negotiation price
Dividend income	-	-	7,718	-	As approved by shareholder's meeting
Service expenses	-	-	3,600	300	Accordance with the negotiated price
<u>Transactions with related parties</u>					
Sales of goods and service income	35,487	39,175	29,149	27,426	Sales of goods: Closed to the net selling price that is sold to major customers Service income: Closed to the market price
Rental income	225	225	225	225	Fixed fee per month
Commission expenses	8,476	6,449	193	173	Not over 2% of sales

As at 31 December 2012 and 31 March 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	
	31 December	31 March	31 December	31 March
	2012	2012	2012	2012
<u>Trade and other receivables - related parties (Note 4)</u>				
Subsidiaries	-	-	36,598	62,298
Related company (related by common major shareholders)	1,152	5,063	990	4,761
Associated company	28	28	28	28
Total trade and other receivables - related parties	<u>1,180</u>	<u>5,091</u>	<u>37,616</u>	<u>67,087</u>

(Unaudited but reviewed)

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	31 December 2012	31 March 2012	31 December 2012	31 March 2012
<u>Trade and other payables - related parties (Note 9)</u>				
Associated company	3,220	3,514	-	-
Related company (related by common major shareholders)	111	29	111	29
Total trade and other payables - related parties	<u>3,331</u>	<u>3,543</u>	<u>111</u>	<u>29</u>

Directors and management's benefits

For the nine-month periods ended 31 December 2012 and 2011, the Company and its subsidiaries had employee benefit expenses payable to their directors and management as below.

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Short-term employee benefits	21.71	21.67	13.99	13.30
Increase (decrease) in post-employment benefits after retirement	0.28	0.30	(0.02)	0.46
Total	<u>21.99</u>	<u>21.97</u>	<u>13.97</u>	<u>13.76</u>

3. Cash and cash equivalents

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	31 December 2012	31 March 2012	31 December 2012	31 March 2012
Cash	85	85	55	55
Bank deposits	65,290	53,763	55,520	45,635
Total	<u>65,375</u>	<u>53,848</u>	<u>55,575</u>	<u>45,690</u>

As at 31 December 2012, bank deposits in saving accounts and fixed deposits carried interests between 0.62 and 1.80 percent per annum (31 March 2012: between 0.62 and 1.90 percent per annum).

4. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	31 December	31 March	31 December	31 March
	2012	2012	2012	2012
<u>Trade receivables - related parties</u>				
Aged on the basis of due dates				
Not yet due	413	2,820	28,154	44,438
Past due				
Not over 3 months	739	2,243	9,434	22,621
Total trade receivables - related parties	1,152	5,063	37,588	67,059
<u>Trade receivables - unrelated parties</u>				
Aged on the basis of due dates				
Not yet due	462,806	402,311	284,483	242,345
Past due				
Not over 3 months	211,780	134,140	121,302	68,358
Over 12 months	17,426	17,426	17,426	17,426
Total	692,012	553,877	423,211	328,129
Less: Allowance for doubtful accounts	(17,426)	(17,426)	(17,426)	(17,426)
Total trade receivables - unrelated parties, net	674,586	536,451	405,785	310,703
Total trade receivable - net	675,738	541,514	443,373	377,762
<u>Other receivables</u>				
Other receivable - related party	28	28	28	28
Total other receivables	28	28	28	28
Trade and other receivables - net	675,766	541,542	443,401	377,790

5. Investments in associated company

5.1 Details of associate:

(Unit: Thousand Baht)

Company's name	Nature of business	Country of incorporation	Shareholding percentage		Separate financial statements		Consolidated financial statements	
			31 December 2012	31 March 2012	Cost method		Carrying amount based on equity method	
			Percent	Percent	31 December 2012	31 March 2012	31 December 2012	31 March 2012
Mory Lohakit (Thailand) Company Limited	Agent	Thailand	49	49	4,900	4,900	10,839	9,140

5.2 Share of profit and dividend received

(Unit: Thousand Baht)

Company's name	For the three-month periods ended 31 December			
	Consolidated financial statements		Separate financial statements	
	Share of profit from investments in associates		Dividend received	
	2012	2011	2012	2011
Mory Lohakit (Thailand) Co., Ltd.	492	124	-	-

(Unit: Thousand Baht)

Company's name	For the nine-month periods ended 31 December			
	Consolidated financial statements		Separate financial statements	
	Share of profit from investments in associates		Dividend received	
	2012	2011	2012	2011
Mory Lohakit (Thailand) Co., Ltd.	1,699	1,030	-	-

5.3 Summarised financial information of associate

Financial information of the associated company is summarised below.

(Unit: Million Baht)

Company's name	Paid-up capital		Total assets		Total liabilities		Total revenues		Profit	
	as at		as at		as at		for the nine -month		for the nine -month	
	31	31	31	31	31	31	periods ended		periods ended	
	December	March	December	March	December	March	31 December		31 December	
	2012	2012	2012	2012	2012	2012	2011	2012	2011	
Mory Lohakit (Thailand) Co., Ltd.	10.0	10.0	23.6	20.0	1.5	1.1	8.3	6.3	3.5	2.1

6. Investments in subsidiaries

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

Company's name	Paid-up capital		Shareholding		Cost method	
			percentage			
	31	31	31	31	31	31
	December	March	December	March	December	March
	2012	2012	2012	2012	2012	2012
	Million Baht	Million Baht	Percent	Percent	Thousand Baht	Thousand Baht
Auto Metal Company Limited	240	240	60	60	144,000	144,000
Alternative Stainless Company Limited	1	1	100	100	999	999
Total					144,999	144,999

6.2 Dividend income

(Unit: Thousand Baht)

For the nine-month
periods ended
31 December

Company's name	2012	2011
Auto Metal Company Limited	7,718	-

On 19 June 2012, the Annual General Meeting of the shareholders of Auto Metal Co., Ltd. passed a resolution to approve the payment of a dividend of Baht 5.36 per share from the operating results of the year ended 31 March 2012. The dividend was paid on 27 June 2012.

7. Property, plant and equipment

Movements of the property, plant and equipment account during the nine-month period ended 31 December 2012 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
Net book value as at 31 March 2012	349,495	126,140
Acquisitions during period - at cost	74,402	15,308
Disposal during period - net book value at disposal date	(2,191)	(2,191)
Depreciation for the period	(48,728)	(11,449)
Net book value as at 31 December 2012	<u>372,978</u>	<u>127,808</u>

As at 31 December 2012, the Company and one subsidiary have vehicles under finance lease agreements with net book values amounting to Baht 15.6 million (31 March 2012: Baht 14.9 million) (Separate financial statements: Baht 9.6 million (31 March 2012: Baht 9.8 million)).

The Company and one subsidiary have mortgaged all of their land with structures thereon and mortgaged the following machinery with values as at 31 December 2012 and 31 March 2012 with bank to secure loans and other credit facilities granted to the Company and its subsidiary by the bank.

	(Unit: Million Baht)			
Mortgaged machinery	Consolidated financial statements		Separate financial statements	
	31 December 2012	31 March 2012	31 December 2012	31 March 2012
Cost	305.9	305.9	196.8	196.8
Net book value	33.6	41.0	-	-

8. Short-term loans from financial institution

(Unit: Thousand Baht)

	Interest rate (percent per annum)	Consolidated		Separate	
		financial statements		financial statements	
		31 December 2012	31 December 2012	31 March 2012	31 December 2012
Short-term loans from bank	4.95	80,000	100,000	10,000	10,000
Trust receipts	2.25 - 5.40	154,229	166,172	73,316	128,671
		<u>234,229</u>	<u>266,172</u>	<u>83,316</u>	<u>138,671</u>

Short-term loans from bank represent promissory notes maturing within 1 month.

Bank overdrafts, short-term loans and trust receipts facilities are secured by the mortgage of the Company's and its subsidiary's land with structures thereon and machinery, as described in Note 7.

9. Trade and other payables

(Unit: Thousand Baht)

	Consolidated financial		Separate financial	
	statements		statements	
	31 December 2012	31 March 2012	31 December 2012	31 March 2012
Trade payables - unrelated parties	507,203	200,309	349,080	104,706
Other payables - unrelated parties	19,008	14,293	8,020	9,168
Other payables - related party	3,220	3,514	-	-
Accrued commission expenses - unrelated parties	351	41	351	-
Accrued commission expenses - related party	111	29	111	29
Accrued expenses	14,029	4,929	8,008	2,483
Total trade and other payables	<u>543,922</u>	<u>223,115</u>	<u>365,570</u>	<u>116,386</u>

10. Corporate income tax

Interim corporate income tax of the Company and a subsidiary were calculated on net income for the periods, 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). The corporate income tax is calculated base on the estimated average annual effective income tax rate.

Interim corporate income tax of another subsidiary which operates the promoted operations (as described in Note 11) were calculated 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). The corporate income tax is calculated base on the estimated average annual effective income tax rate.

11. 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 nine-month periods ended 31 December 2012 and 2011 were derived from sales and service of BOI promoted products amounted to Baht 727 million and Baht 432 million, respectively.

12. Basic earnings per share

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

13. 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 for the nine-month periods ended 31 December 2012 and 2011 amounted to Baht 19.2 million and Baht 45.2 million, respectively (Separate financial statements: Baht 14.6 million and Baht 24.4 million, respectively).

14. Dividends

	Approved by	Total dividends	Dividend per share	Payment date
		(Million Baht)	(Baht)	
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>	

15. Commitments and contingent liabilities**15.1 Operating lease commitments**

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

As at 31 December 2012, future minimum lease payments required under these non-cancellable operating leases contracts were as follows.

	<u>Million Baht</u>
Payable:	
In up to 1 year	1.7

15.2 Service commitment

As at 31 December 2012, the Company had commitments of approximately Baht 2.7 million relating to technical assistance agreement and other service agreement.

15.3 Credit facilities

As at 31 December 2012, the Company has been granted credit facilities by various financial institutions for which it has placed collaterals, as follows:-

- Letter of credit, trust receipts, guarantee and short-term loan facilities totaling Baht 1,460.5 million, of which totaling Baht 173.0 million of the utilised amounts are outstanding. These credit facilities are secured by the mortgage of the Company's land with structures thereon and machinery.
- Overdraft facilities of Baht 30 million. The facilities have not yet been utilised. The credit facilities are secured by the mortgage of the Company's land with structures thereon and machinery and the pledge of fixed deposits of the Company.
- Forward exchange contract facility of Baht 1,000 million, of which Baht 28.1 million of utilised amounts is outstanding. This credit facility is secured by the mortgage of the Company's land with structures thereon and machinery.

As at 31 December 2012, the subsidiary has been granted credit facilities by a financial institution for which it has placed collaterals, as follows: -

- Letter of credit, trust receipts, guarantee and short-term loan facilities totaling Baht 300 million, of which totaling Baht 187.0 million of the utilised amounts are outstanding. These credit facilities are secured by the mortgage of the subsidiary's land with structures thereon and machinery.
- Overdraft facility of Baht 10 million, the facility has not yet been utilised. This credit facility is secured by the mortgage of the subsidiary's land with structures thereon.

- Forward exchange contract facility of Baht 200 million, of which Baht 9.7 million of utilised amounts is outstanding. This credit facility is secured by the mortgage of the subsidiary's land with structures thereon and machinery.

15.4 Forward foreign exchange contracts

As at 31 December 2012, the Group had various forward foreign exchange contracts of which maturity dates were not over 1 year as follows:

Foreign currency	Consolidated financial statements		Separate financial statements	
	Bought amount (Million)	Contractual exchange rate bought (Baht per 1 foreign currency unit)	Bought amount (Million)	Contractual exchange rate bought (Baht per 1 foreign currency unit)
US dollar	1.16	30.6700 - 30.8780	0.85	30.6700 - 30.8780
Singapore dollar	0.07	25.2710	0.07	25.2710
Japanese yen	0.47	0.3690	-	-

16. Event after the reporting period

On 21 January 2012, 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 nearly ordinary shares of Baht 1 each through private placement. The Company allocated 63 million of ordinary shares to NSCM's shareholders at Baht 3.92 per share 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.

17. Approval of interim financial statements

These interim financial statements were authorised for issue by the Company's Board of Directors on 14 February 2013.