

Annual Report 2007
as at March 31st, 2008



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Message from Chairman and Managing Director

Dear Shareholders

Presently, Thailand's economic condition has been influenced by uncertainties over political condition, fluctuations of both domestic and international economies as well as increasing oil prices worldwide. In order to achieve the efficiency that will constantly benefit the Company and to prevent the negative impact on the Company's operating performance, the Company had undertaken human resource and operation development, cost reduction, product development as well as technology development.

For the operating performance for the period ended on March 31, 2008, The Company and its subsidiaries reported the total revenue of Baht 2,612.48 million, increased from that of the previous year by 22.1% where the net profit stood at Baht 80.36 million. Because of the operation with care and the determination of management and all employees, The Company was able to maintain the favourable performance.

The board of directors determines to govern the Company to be efficient, transparent, honest and assessable under the good corporate governance code for the best interest of the Company and the shareholders. The Company shall maintain the quality of stainless steel industry in order to ensure that Thailand's stainless steel industry has the high quality standard. The Company shall be responsible to society and environment to uplift Thai society together with the development of the country.

On behalf of the board of director, we would like to express our gratitude to our shareholders, investors, stakeholders, customers, business alliances, domestic and international financial institutions, government agencies, relevant private parties as well as the management and employees of the Company for your kind and continuous supports. The Company will continue to maintain the sustainable growth of our business in the future.



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 used to prepare the consolidated financial statement were in compliance with the general accepted accounting principles where appropriate accounting policies have been adopted and complied regularly. The reasonableness of the financial statements has been considered and the financial statements were prepared with care and cautious for the benefit of the shareholders and investors to be assessable to the complete, accurate and reasonable financial status and operating performance of the Company. Also, the significant information has been sufficiently disclosed in notes to financial statements.

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

Based on the management structure and the internal control system as well as the report of the certified auditor, the board of directors believes that the financial reports of Lohakit Metal Public Company Limited and the subsidiaries shown in the annual report for the year ended on March 31, 2008 have reported the financial status, operating results and cash flow accurately according to the general accepted accounting principles.



Mr. Wanchai Umpungart
Chairman

Audit Committee's Report

The board of directors appointed the audit committee including Mr. Wanchai Umpungart, the chairman of the audit committee, Mr. Teera Na Wangkanai and Mr. Lert Nitheranont. 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. The chairman of the audit committee has knowledge and experience in accounting and internal auditing.

During the year ended on March 31, 2008, the audit committee had 4 meetings with management and internal auditor where the certified accounting auditor clarified relevant issues and prepared 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 that they were complied with the general accepted accounting principles before proposed to the board of directors for their approvals. Also provided recommendations and concerns over the issues in relation to the financial statements.
2. Considered the disclosure of the connected transactions, other transactions that may lead to the conflict of interest and transactions with regard to the obligations of the Company.
3. Evaluated the sufficiency and the appropriateness of the internal control system where the audit committee deemed that the internal control system of the Company is sufficient and appropriate with no significant flaw.
4. Considered and nominated A.M.T Services Office Limited as the internal auditor to review and evaluate the internal control system of the Company.
5. Proposed to and recommended the board of directors to nominate the accounting auditor and to set the auditing fee before proposing for the shareholder's approval.

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. Furthermore, correction have been made on significant issues raised by the internal and external auditors to ensure proper corporate governance.



Mr. Wanchai Umpungart
Chairman of the audit committee

General Information

Lohakit Metal Public Company Limited (“the Company”) and the subsidiaries including Auto Metal Company Limited and D-Stainless Company Limited engage in procuring stainless steel coil products where the Supply Chain Management¹ 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 Suksawas 76, Suksawas Rd., Bangjak, Prapradang, Samutprakarn 10130, Telephone 0-24630-0158 Facsimile 0-2463-7299 Homepage www.lohakit.co.th , the registration number 0107548000315
The Company’s branch	889 Thai CC Tower, room no 167-9, 16 th 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, Telephone 0-3821-0270-77 Facsimile 0-3821-0268-9
D-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
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 th 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

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

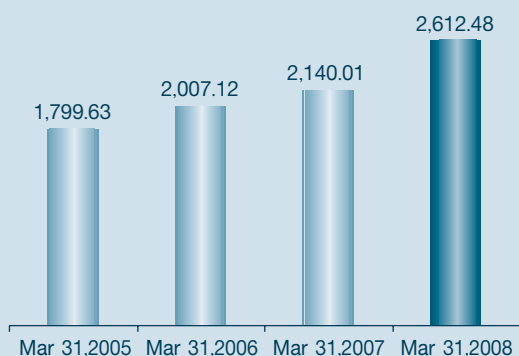
Financial Highlight

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

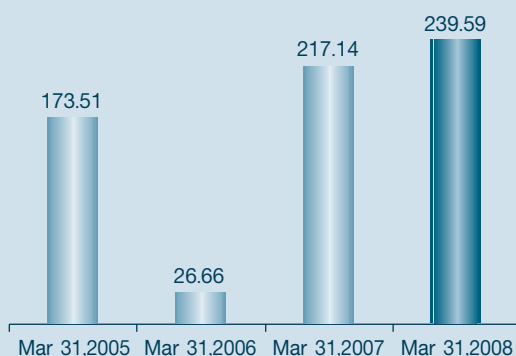
	For the year ended 31 st March			
	2005	2006	2007	2008
Profit and loss statement (Baht millions)				
Total revenue	1,799.63	2,007.12	2,140.01	2,612.48
Revenue from the sales of good and services	1,779.47	1,991.66	2,120.04	2,571.01
Gross profit	173.51	26.66	217.14	239.59
Net profit provided by operating activities	134.55	(38.84)	152.37	174.44
Net profit	85.52	(65.24)	83.96	80.36
Balance Sheet (Baht millions)				
Total assets	1,276.51	1,504.50	1,639.82	1,602.02
Total liabilities	735.57	1,028.80	1,080.16	861.43
Total shareholders' equity	540.94	475.70	559.66	740.59
Per ordinary share (Baht), at Par 1.00				
Earning per share (Baht)	0.59	(0.27)	0.35	0.31
Dividend per share (Baht)	-	-	0.38	0.14
Ratio Analysis				
Gross profit margin (%)	9.75	1.34	10.24	9.32
Net profit margin (%)	4.75	-3.25	3.92	3.08
Return on equity (%)	17.75	-12.83	16.22	12.36
Return on Assets (%)	7.41	-4.69	5.34	4.96
Liquidity ratio (times)	1.48	1.06	1.29	1.47
Debt to equity ratio (times)	1.36	2.16	1.93	1.16

Consolidated Results of Fiscal year as of March 31, 2005 - March 31, 2008

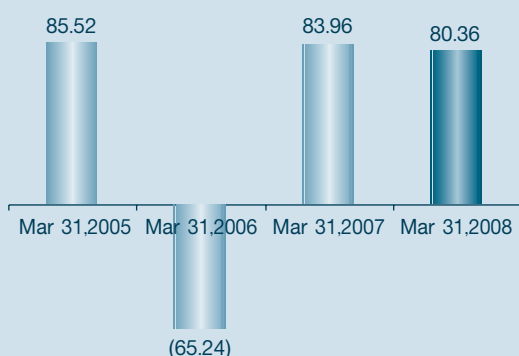
Total Revenue (Baht millions)



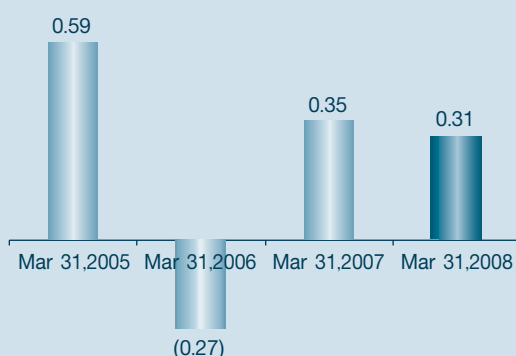
Gross Profit (Baht millions)



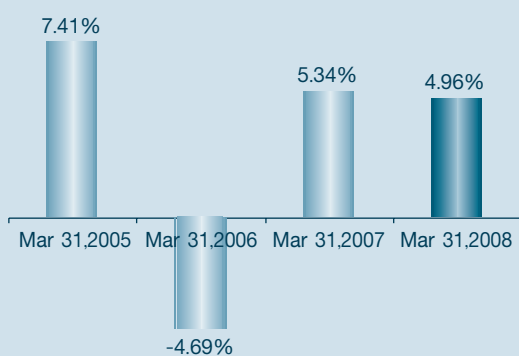
Net Profit (Baht millions)



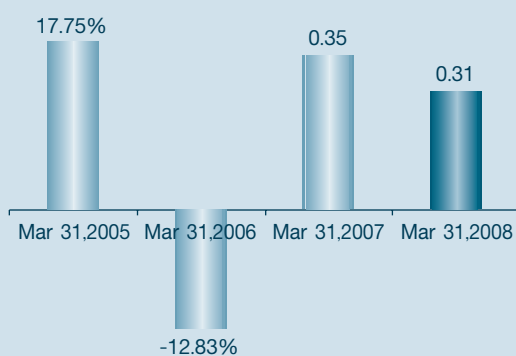
Earning per share (Baht)



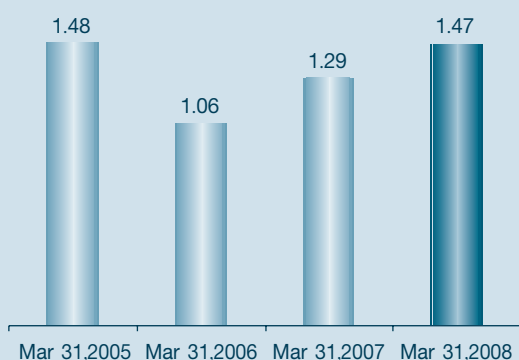
Return on assets (%)



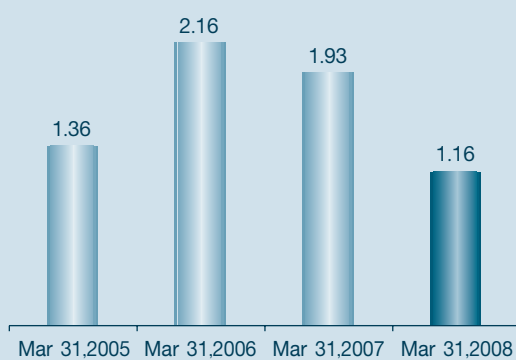
Return on equity (%)



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 steel products trading business. The founded shareholder was the Akarapongpisaak family who accumulately held 80% of the Company’s shares.

Subsequently on May 22, 1989, the Company entered into a joint venture with Tomen Corporation Company Limited, an affiliate of Tomen Group² which engages in steel trading business. The Company increased its capital to Baht 39.22 million where Tomen Corporation Company then held 49% of the Company’s shares. The shareholding percentage of the Akarapongpisak family was diluted to 40.80%. The proceed of such capital increase was used to acquire assets such as land, machines and inventory from Lohakit Shearing Company Limited³, the company whose major shareholder was also the Akarapongpisak family. Subsequently, Lohakit Shearing Company Limited was dissolved and liquidated in 1992.

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

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

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

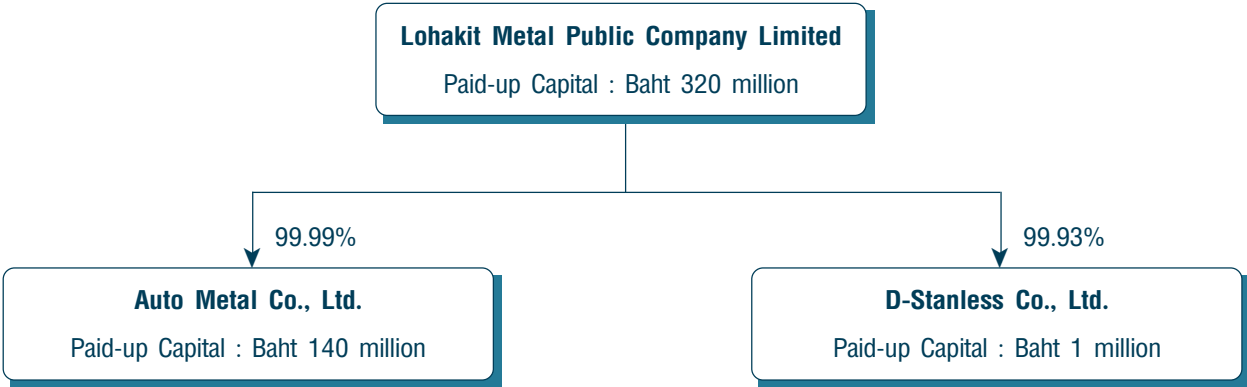
As of February 29, 2008, the Akarapongpisak family who is the Company’s major shareholder held 67.50% of the Company’s shares.

² 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 listen on the stock exchange of Japan with the head office in Japan and 800 branches worldwide. The Tomen group is one of the leaders in information system, telecommunication, chemicals, plastic and garment.

³ Lohakit Shearing Company Limited was founded in 1981 by the Akrapongpitak family to engage in distributing of stainless and other steel. Lohakit Shearing Company Limited had transferred most of its assets to Lohakit Metal Public Company Limited in 1989 before it was dissolved on September 4, 1992 and was liquidated on November 27, 1992.

Business Overview

The group of Lohakit Metal Public Company Limited as of March 31, 2008 can be shown as follows:



The Company and the subsidiaries 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. Supply Chain Management is cooperation among (1) Suppliers who are manufacturers and distributors of raw material; (2) the Company and its subsidiaries who are procurer, distributor and servicer and (3) customers in various industries. The Company and the subsidiaries act as a mediator who gathers information of raw material manufacturers and distributors and information of customers’s demand then uses such information to manage raw material sourcing, to plan production processing and to deliver products to the customers. The Supply Chain Management system allows the Company and the subsidiaries to be able to order the adequate quantity of raw materials, to manufacture products that match the customers’s requirements and to deliver the products in time. Such system has enhanced the Company’s efficiency in various aspects including (a) production cost saving as the system allows the Company and its subsidiaries to order raw materials in the quantity that they requires to use where the Company can plan its on-time delivery raw material purchasing without any raw material shortage 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) Providing stainless steel cutting, drilling, and polishing according to customer requirement.

The 2 subsidiaries of the Company are as follows:

- (a) Auto Metal Company Limited engages in manufacturing and distributing stainless steel pipe for automotive industry including exhaust pipes for car and motorcycle. Auto Metal Company Limited was founded on October 14, 2004 with the paid-up capital of Baht 40 million. Currently Auto Metal Company Limited has a paid-up capital of Baht 140 million and the Company holds 99.99% of the paid-up capital of Auto Metal Company Limited.
- (b) D-Stainless Company Limited distributes stainless steel products of special grades. D-Stainless Company Limited was founded on June 2, 2005 with the paid-up capital of Baht 1 million where the Company holds 99.93% of D-stainless Company Limited.

The Company and its subsidiaries have 2 factories including

- (1) The Company's factory: situated on 24 Rais of land on Suksawas 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.

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) Special 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 compound of which their corrosion resistances are equal to stainless steel grade 304⁴. With those qualifications of the special grade⁵ products can be used in various industries such as cloth lines or stair lines, comuter parts, food processing machine, household appliances, etc.
- (5) Galvanized steel sheets and coils of various sizes as per the customer's request where these products are used in electrical appliance and construction industries.
- (6) Electro-Galvanized steel sheets and coils of various sizes as per the customer's request where these products are used in electrical appliance, construction and automotive industries.
- (7) The stainless steel cutting, drilling and polishing according to the customer's request.

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

⁵ The special grade stainless steel or D-Stainless is a stainless steel containingl 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 2006 - 2008 can be shown as follows:

Revenue	Operated by	The Company's shareholding percentage	2006 (01/04/05-31/03/06)		2007 (01/04/06-31/03/07)		2008 (01/04/07-31/03/08)	
			Million Baht	%	Million Baht	%	Million Baht	%
By Type of Revenue								
1. Revenue from sales								
1.1 Cold-rolled stainless steel sheet and coil of grades 430, 304 and 316L	The Company	-	1,113.19	55.46	883.28	41.27	846.23	32.39
1.2 Stainless steel tube (round and rectangular) of grades 304, 316L	The Company	-	327.86	16.34	279.62	13.07	237.90	9.11
1.3 stainless steel pipe for exhaust pipes for car and motorcycle of grades 409 and 436.	Auto Metal Co., Ltd.	99.99	-	-	40.21	1.88	135.35	5.18
1.4 Special grade stainless steel	D-Stainless Co., Ltd.	99.93	80.75	4.02	512.32	23.94	558.77	21.39
1.5 Special grade stainless steel - HDD project	The Company	-	-	-	-	-	512.29	19.61
1.6 Galvanized steel coil and sheet	The Company	-	283.39	14.12	282.05	13.18	175.77	6.73
1.7 Electro-galvanized steel coil and sheet	The Company	-	181.20	9.03	109.04	5.10	87.24	3.34
Total Revenue from sales	The Company and 2 subsidiaries	99.99 and 99.93	1,986.39	98.97	2,106.52	98.44	2,553.55	97.75
2. Revenue from services*	The Company	-	5.27	0.26	13.52	0.63	17.46	0.67
3. Profit from Foreign Exchange	The Company and 2 subsidiaries	99.99 and 99.93	0.76	0.04	1.52	0.07	17.05	0.65
4. Other Revenue**	The Company and 2 subsidiaries	99.99 and 99.93	14.70	0.73	18.45	0.86	24.42	0.93
Total Revenue	The Company and 2 subsidiaries	99.99 and 99.93	2,007.12	100.00	2,140.01	100.00	2,612.48	100.00
By Source of Revenue								
(a) Revenue from domestic sales	The Company and 2 subsidiaries	99.99 and 99.93	1,926.35	96.98	1,949.53	92.55	2,391.40	93.65
(b) Revenue from international sales	The Company and 2 subsidiaries	99.99 and 99.93	60.04	3.02	156.99	7.45	162.15	6.35
Total Revenue	The Company and 2 subsidiaries	99.99 and 99.93	1,986.39	100.00	2,106.52	100.00	2,553.55	100.00

Remark: * Revenue from services included revenues from stainless steel cutting, punching, polishing, stamping and forming.

** Other revenues include interest income and revenue from selling scrap.

Business Goals

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

Risk Factors

1. Risk from a decrease in revenue from sale due to the price volatility of the Grade 304 stainless steel.

Some of the Company's cold-rolled stainless steel sheets and coils and round and rectangular stainless steel tube products are Grade 304 stainless steel that contains 8% of nickel of which its qualification can increase the ability to be processed and formed. The price of nickel is rather volatile where the average price has dropped from USD 50,000 per metric ton to USD 30,000 per metric ton. This has caused the price of Grade 304 stainless steel to fall, which may have adverse effect to the revenues from sale of the company and its subsidiaries.

However, the company and its subsidiaries have the policy to focus on increasing the production and sale of Grades 430, 409 and 316L as well as the special grade stainless steel or D-stainless owing to lower nickel content. Therefore, the effect from the price volatility of nickel is marginal. The company and its subsidiaries have set a policy to maintain an appropriate level of inventory of the Grade 304 stainless steel by considering the demand from the target customers.

2. Risk from the price volatility of cold rolled stainless steel

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

However, in the past, the price volatility has not had an effect on the profitability as the Company has the pricing policy to maintain the margin. Moreover, the company closely monitors the price of the raw materials in order to assess the situation and predict the trend to manage the purchase and inventory appropriately. In addition, there are the sales of Ferritic stainless steel which has low nickel content to customers in electrical appliance and automobile industry and special grade stainless steel with low nickel content imported from Japan which is distributed by D-Stainless Co., Ltd. The prices of those products are less volatile owing to their lower nickel component. Consequently, the volatility of raw material prices shall have no significant effect on the Company's operating performance.

3. from reliance on major producers of raw materials

3.1 Risk from reliance on the producers and distributors of cold rolled stainless steel coil

The cold rolled stainless steel sheet and coil is the company's major raw material. During the accounting years of 2007 and 2008, the company ordered the cold rolled stainless steel coil from major local producers, Thainox Stainless PLC, which accounted for 41.38% and 26.4% of the total purchasing amount. Since there are only a small number of 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 customers' 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 has never had the 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.

3.2 Risk from reliance on producer of special grade stainless steel

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 D-Stainless Co., Ltd. During the accounting years of 2007 and 2008, the Company's transaction size with Nippon Metal Industry Co., Ltd. accounted for 21.74% and 47.94% of the total cost of purchase. 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 is Nippon Metal Industry Co., Ltd.'s sole trading partner in Thailand and it is the sole supplier of the special grade stainless steel due to superior quality and better acceptance from the customers than that produced by suppliers from China and Indonesia. 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 in exhibitions both locally and internationally: one of which is the Metalex. Until now, the company has never encountered the problem of shortages of such product.

3.3 Risk from reliance on the producer of the galvanized iron steel

Currently, the Company purchases the galvanized iron steel from one supplier only, that is Bangkok Steel Industry Plc. During the accounting years of 2007 and 2008, the purchase of such product accounted for 10.21% and 7.46% of the total cost of purchase. The galvanized iron steel is processed according to the sizes demanded by the customers: this ranges from 0.19mm to 3mm in thickness, 9mm to 1,219mm in width and 300mm to 6,000mm in length. The Company is faced with the risk from relying on a single supplier and hence the risk of shortages in case such supplier cannot make a punctual delivery. Therefore, since the company cannot acquire such raw materials from any other sources, the company may not be able to fulfill the customers' order.

The Company has been purchasing the galvanized iron steel exclusively from Bangkok Steel Industry Plc. due to its high quality and thus, has enabled the Company

to process them into different sizes as per the customers' demand. However, the Company has a plan to pre-order the galvanized iron steel. In maintaining a strong relationship with such supplier, the Company has never encountered the problem of shortages.

4. 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 2007 and 2008, the revenues from domestic sale of the Company and its subsidiaries stood at Baht 1,949.53 million, or 92.55% of the total revenue, and Baht 2,391.40 million, or 93.65% of the total revenue, respectively. Consequently, there is a risk from relocation of the customer's production hub to another country such as Vietnam and India which have lower labour cost than in Thailand and that shall affect the revenues of the Company and its subsidiaries.

However, the foreign companies have expressed their interests in investing in Thailand; especially the Japanese companies. This is due to Thailand's ability to provide the necessary raw materials, labour, 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. Furthermore, Auto Metal Co., Ltd., a subsidiary, has diversified the risk by providing stainless pipes and exhaust pipes to the auto and motorcycle industries. D-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. In addition, the Company and its subsidiaries have the policy to increase exports to foreign countries.

5. Risk from the change in the revenues from sale due to the inability of the Company and its subsidiaries to provide products and services to satisfy the target customers' demands

The target customers of the Company and its subsidiaries consist of those in electrical appliance, construction, automobile, computer, and food industries. Such customers require products and services of high quality and reasonable price. Delivery of any sub-standard products and services may result in an adverse effect to the Company's and its subsidiaries' revenues from sale.

However, the Company and its subsidiaries have set the policy to provide stainless service center by focusing on the quality of the products and services that are widely accepted and are in accordance with the ISO 9001:2000, ISO14001:2004 and ISO/TS16949:2002 including

the selection of high quality raw materials from creditable suppliers, the production and processing with state-of-the-art machinery, the monitoring system of each process, the punctual delivery, and the setting of the price that is in accordance with the market. Therefore, the revenues from sale of the Company and its subsidiaries continuously grew during the accounting years of 2006, 2007 and 2008 from Baht 1,986.30 million to Baht 2,106.52 million and to Baht 2,553.55 million respectively.

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. D-Stainless, another subsidiary, is Thailand's sole distributor of special grade stainless with low nickel component from Japan. Therefore, the Company and its subsidiaries are faced with the risk from the entry of new competitors, which may have an adverse effect on their sales revenues and market shares.

However, the business of the Company and its subsidiaries are reliant on several factors such as (1) specialized expertise and the long experience in developing quality products that are in accordance with the target customers' demands in various industries, which the Company has with its 19 years of experience in the business (2) personnel with knowledge, expertise and experience in the business (3) continuous strong relationship with the producer, distributor of raw materials and target customers (4) investment in acquiring the land for and the construction of the plant, and in the state-of-the-art machinery: as of 31st March 2007 and 31st March 2008, the investment amount of the Company's and its subsidiaries' building and equipment stood at Baht 748.86 million and Baht 779.12 million, respectively (5) both the Company and its subsidiary, Auto Metal Co., Ltd., are currently receiving several incentives from the Board of Investment such as special tax privilege that include waivers on the duty on imported raw materials and the necessary packaging and on the duty on imported machinery. Such factors have given the Company and its subsidiaries the advantage over any new competitors.

7 Risk from the break-down and damages of the equipment or machinery used in the production

Some of the Company's machinery are 5 to 25 years old. The machinery and some equipment have been fully depreciated but are still in use. The total asset value is approximately Baht 203 million. Since some of the machinery and equipment have been in use for a long period of time, their performances may cause some delay and may have an effect on the productivity. However, since such machinery were produced by a reputable Japanese producer and a budget has been put aside for high level of maintenance, the Company believes that any problem of the machinery can be alleviated. In 2008, the budget for maintenance was 7.8 million baht. In addition, the Company continuously purchases efficient and state-of-the-art machinery.

8 Risk from foreign exchange rate

The Company and its subsidiaries currently import some raw materials such as the cold rolled stainless steel coil and special grade stainless steel. During the accounting years of 2007 and 2008, the values of import of the Company and its subsidiaries accounted for 40.12% and 59.16% of the total cost of purchase respectively. Since the purchases were in USD, and 92.55% and 93.65% of the total sales revenues were in Thai Baht in 2007 and 2008 respectively, there is a risk of currency exchange volatility.

However, the Company and its subsidiaries manage such risk by purchasing forward contracts, whose durations are usually no more than 1 year, and making advance payments, with the consideration of the liquidity and the situation at the time. In addition, the Company has a foreign currency deposit account, or FCD: when there is a sale to the foreign customers, the payment is deposited in such account in its original currency; and when there is an import of raw materials, the payment is made from such account. This reduces the risk from the volatility of the currency exchange. In the future, since the Company and its subsidiaries expect to import some of the raw materials, forward contracts and foreign currency deposit account are still necessary in reducing the risk from the currency exchange.

9 Risk from reliance on the production supervisor

Since the Company and Auto Metal Co., Ltd., its subsidiary, have recently started producing stainless pipes for automotive usage, coupled by the complexity of the production process of the stainless for the exhaust pipes, there is a need to rely on the expertise of the engineers from Mory Industries Inc. from Japan. Therefore, there is a risk from the reliance on such production supervisor.

However, the Company and its subsidiaries have made a technical agreement with Mory Industries Inc. for providing engineers to collaborate with the Company's staff in monitoring the raw materials and production process, approving the test standard and approving the prototype product of stainless pipe for automotive usage. In addition, Mory Industries Inc. agrees to train the Company's staff to be able to supervise the production of such products. The said contract is valid for 2 years and will be expired in April 2009. The contract will be automatically extended unless the termination is made 3 months in advance of the contract expiry. Moreover, the Company and the subsidiary have prepared the detailed production manual to manage the risk from relying on the production supervisor.

10 Risk from trade liberalization

The Company purchases cold rolled stainless steel coil from a local producer and processes them before selling to companies in various industries. Currently, the import tax for cold rolled stainless steel coil is 5%. However, the Ministry of Commerce has set up a trade free zone in order to build an international trade relationship, which increases the investment opportunity and opens the door to other countries. The trade liberalization in the future may increase

competition: the importer may be able to sell the imported cold rolled stainless steel coil at a lower price. The increased competition as a result of the trade liberalization may give the Company a new channel for importing quality cold rolled stainless steel coil from countries such as China by comparing price and quality of the domestic and international producers. Consequently, the Company can be able to reduce the production cost in the future. In addition, as a result of the liberalization, there will be more international competitors whose businesses are the same as that of the Company and the competition in the local market will be critical where the local competitors with low capability will be out of business and the competition will be on the quality and standard of products.

Capital Structure

The Company's securities

As of February 29, 2008, the Company's registered and paid-up capital stood at Baht 320 million divided into 320,000,000 ordinary shares with a par value of Baht 1 per share.

Shareholders

The shareholding structure as of February 29, 2008

Names	As of 29/02/08	
	Number of shares	Percentage (%)
1. Mr. Kasem Akarapongpisak and Mrs. Pranee Sae Koo*	119,800,400	37.44
2. Mr. Prasarn Akarapongpisak	35,999,800	11.25
3. Mr. Prasert Akarapongpisak	35,999,800	11.25
4. Mr. Pongthep Akarapongpisak	23,999,900	7.50
5. Mrs. Nuntana Akarapongpisak	200,000	0.06
6. Mr. Vittawat Akarapongpisak	10,200	0.00
The Akarapongpisak Family	216,010,100	67.50
7. Mr. Nucha Wattanopas	23,999,900	7.50
8. Seamico Securities Plc.	12,010,000	3.75
9. Mrs. Thitima leampikul	4,285,300	1.34
10. Mrs. Atthaya Chaikulngamdee	4,073,300	1.27
Total	260,378,600	81.37

Remark: * Mr. Kasem Akarapongpisak is a husband of Mrs. Pranee Sae Koo who is related according to Clause 258 of Securities and Stock Exchange Act B.E. 2535; therefore their shareholding percentages were combined together. Mr. Kasem Akarapongpisak holds 119,800,200 shares and Mrs. Pranee Sae Koo holds 200 shares.

Dividend Policy

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

Auto Metal Company Limited and D-Stainless Company Limited, the Company's 2 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 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

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 |

Remark: * was elected on May 29, 2008 to replace a director who resigned.

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

The Authorised Director

The Company's authorized directors include Mr. Prasarn Akarapongpisak signed with Mr. Somnuik Thanasarn or 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 accounting 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 | Chairman of the Executive Committee |
| 2. | Mr. Somnuik Thanasarn * | Member of Executive Committee |
| 3. | Mr. Anan Manatchinapisit | Member of Executive Committee |

Remark : * was elected on May 29, 2008 to replace the resigned 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 A.M.T Services Office Limited 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 accounting auditor and the management who is responsible for the preparation of the quarter and annual financial reports. The audit committee may request the accounting 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 where the audit committee shall cooperate with the accounting auditor and the internal auditor.

- (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 accounting auditor and to consider the remuneration of such auditor by taking into consideration their reputation, capability and workload of such office as well as the experiences of the auditor who is responsible for the Company's accounting audit.
- (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.
- (8) To report the audit committee's activities to the board of directors at least once every quarter.
- (9) To prepare the opinion with regard to the performance, the nomination, the denomination and the remuneration of the internal auditor.

(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 Acting Manager of Accounting and Finance department |
| 3. | Mr. Somnuik Thanasarn | Sales and Marketing Manager |
| 4. | Mrs. Chanpen Chitsawat | General Administrative Manager |
| 5. | Ms. Chantra Emcharoen | Human Resource Manager |
| 6. | Mr. Chaiwat Bosuwannana | Planning & Inventory Manager |
| 7. | Mr. Apichart Iriyapichart | Production Manager and Acting Manager of Quality Assurance department |

The Nomination of directors and management

(a) The nomination of directors

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

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

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

(b) The nomination of independent directors and audit committee

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

- (1) Holding not more than 5 percent of the paid up shares of the Company, sister companies, affiliates and other related parties where the shareholding of the related parties shall be included
- (2) Neither be a managerial director of the Company, parent company, sister companies, affiliates and other related parties nor be an employee or advisor who receives normal salary from the Company, parent company, sister companies, affiliates, other related parties and major shareholder of the Company.
- (3) Not having any conflict of interests directly or indirectly with regard to the financial and operation affairs of the Company, parent company, sister companies, affiliates, and major shareholder within 1 year before the nomination except for the case that the board of directors have determined that such interests shall not intervene the independence of the audit committee.

- (4) Not being related to the management and the major shareholders.
- (5) Not being a representative of the directors, the major shareholders, or any other shareholders related to the major shareholders.
- (6) Being able to perform duties, provide opinion on and report results of the assignments delegated by the board of directors independently. Not being under the control of management, major shareholder and their related parties.

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

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

Management's Remuneration

(a) Cash Remuneration

- Director's Remuneration

Directors		2008 (01/04/07 - 31/03/08)	
		Meeting Allowance (Baht)	Bonus (Baht)
1.	Mr. Wanchai Umpungart	210,000	-
2.	Mr. Prasarn Akarapongpisak	105,000	-
3.	Mr. Anan Manatchinapisit	105,000	-
4.	Mr. Kartchai Jamkajornkeiat *	60,000	-
5.	Mr. Anurut Vongvanij	55,000	-
6.	Mr. Teera Na Wangkanai	45,000	-
7.	Mr. Lert Nitheranont	105,000	-
Total		685,000	-

Remark: * Mr. Kartchai Jamkajornkeit was resigned from the Company in May 2008.

- Management's Remuneration

Remuneration	2008 (01/04/07 - 31/03/08)	
	Number of Person*	Amount (Baht)
Salary	8	14,240,949
Bonus	8	2,502,000
Other Remuneration (Communication expenses)	1	18,000
Total	8	16,760,949

Remark: * The number of 8 management is not equal to the list of management in clause 9.1 (f) which has 7 management as 1 of the management resigned.

(b) Other Cash Remuneration

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

Good Corporate Governance

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

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

(1) Shareholder's Rights

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

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

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

(2) The Equitable Treatment to Shareholders

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

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

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

- (a) In case of the normal business transactions or the transactions to support the normal business with general terms and conditions and compensations that can be calculated from assets or reference prices, the procedure to undertake those transactions shall be in accordance with the regulations of the SEC office and the Stock Exchange of Thailand with regard to the connected transaction. The undertaken transactions shall be reported to the audit committee on a quarterly basis.

- (b) In case of other related transactions apart from those described in (a), the audit committee shall provide their opinions with regard to the necessity of the transaction and the reasonableness of the transaction's price by considering the normal business practice of the industry and comparing the undertaken price with the price of others or the market price. In case that the audit committee has no expertise on any transaction, the Company would hire an independent specialist or an auditor to provide their opinion on such transaction for the consideration of the audit committee, the board of directors or the shareholders as the case may be. The directors who may have any conflict of interests of the transaction will not be able to vote on such transaction.

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

- (a) The Company has prevented the use of internal information by specifying that the departments which are accessible to such information must keep the information confidential to other irrelevant departments or parties.
- (b) The management who have 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 are prohibited to trade the Company's securities within 1 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 of revenue and profit. As a result, the shareholders will receive the appropriate returns according to the business condition.
- (f) Community and Society: The Company takes the responsibility towards to environment of the community and society by taking part in the social activities.

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

The Company has enhanced the efficient internal control and audit systems for both the management and operational levels by issuing the statement of duties and authorities of the management and the employees. The duties of execution, control and evaluate are segregated for the check and balance of power purpose. Moreover, the Company has undertaken the internal control over the financial system with the financial report system for the responsible management. The Company has the internal control system audited where on March 30, 2008, the Company appointed A.M.T. Services Office Limited as the Company's internal auditor. 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.

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

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

(4) The information disclosure and the transparency

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

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

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

Directors	2007
	Number of meetings convened / Number of meetings attended
1. Mr. Wanchai Umpungart	6 / 6
2. Mr. Prasarn Akarapongpisak	6 / 6
3. Mr. Anan Manatchinapisit	6 / 6
4. Mr. Kartchai Jamkajornkeiat	6 / 5
5. Mr. Anurut Vongvanij	6 / 6
6. Mr. Teera Na Wangkanai	6 / 3
7. Mr. Lert Nitheranont	6 / 6

Remark: * Mr. Kartchai Jamkajornkeiat was resigned from the Company in May 2008.

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

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

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

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

(5) Director's Responsibility

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

The balance of power of non-executive directors

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

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

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

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

The remuneration of directors and management

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

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

Sub Committee

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

The Control of the use of internal information

The Company has set the strict procedure to control the use of internal information especially the financial information which has to be audited by the certified accounting 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 decrease, and suspension or employment termination.

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.2/2008 dated May 29, 2008 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 for the business goals in later years. In addition, the Company has issued the statement of business ethics in order to be a guideline for the management and the employees to comply.

2. Risk Management

The management constantly evaluates the economic condition and overall situation of the country to specify risk factors associated with the Company and measures to overcome them. The relevant departments shall be informed to undertake the actions to mitigate such risks. The Company also constantly manages its risks associated with foreign exchange with banks. The GPS system is installed on the Company's trucks for the convenience of the Company to monitor the product delivery process.

3. The Control of the management's operation

The Company has clearly specified the table of authority for each level of management and has adopted the internal auditing among departments. 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 accounting 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 reported to the management for their actions. However, there is no significant error identified over the past years.

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

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

After auditing the Company's financial statements for the period ended on March 31, 2008, the accounting 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 not qualified.

(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 result of the internal auditing of the Company during the period of February 21, 2007 to March 2, 2007 was presented to the audit committee's meeting No. 2/2007 dated April 9, 2007. 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, the internal auditor has presented the internal auditing reports as per the auditing plan for the year 2007 (April 1, 2007 - March 31, 2008) as follows:

- The report dated August 10, 2007 with regard to the sales transactions, the delivery transactions, and the payment received transactions audited during July 9 - 18, 2007 and reported to the audit committee's meeting No. 4/2007 on August 15, 2007.
- The report dated November 9, 2007 with regard to the production and planning transactions and warehouse transactions audited during October 10 - 20, 2007 and reported to the audit committee's meeting No. 5/2007 on November 15, 2007.
- The report dated February 8, 2008 with regard to the purchasing and receiving transactions and the creditors and payment transactions audited during January 14 - 19, 2008 and reported to the audit committee's meeting No. 1/2008 on February 14, 2008.
- The report dated May 21, 2008 with regard to the human resource transactions and the review of the sales transactions, the delivery transactions, and the payment received transactions audited during April 23 - May 7, 2008 and reported to the audit committee's meeting No. 2/2008 on May 29, 2008.

In the internal auditor's opinion, the internal control systems of all the above mentioned activities are sufficient to prevent the relevant risks.

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

The audit committee's meeting No. 4/2007 dated August 15, 2007 has considered and acknowledged the reports of the internal auditor and the results of the internal auditing as per the 2007 plan (April 1, 2007 - March 31, 2008) of the major activities which found that the Company has sufficient and appropriate internal control systems of such activities. The audit committee deemed that the Company has sufficient internal control systems.

Related Transactions

Summary of related transactions of the Company, the subsidiary, related companies and other parties who may have conflicts of interest with the Company for the accounting period of 2008, ended on March 31, 2008.

Related Parties	Relationship	Details of Transaction	Amount (Million Baht)	Opinion of the Audit Committee
			01/04/07 - 31/03/08	
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 67.50% of Lohakit Metal Plc. as of February 29, 2008 and 99.99% of NSCM as of Januray 9, 2008.</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>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 the dealer's fee that the Company agreed to pay to internaltion dealers ranging from 1.5% to 2%.</p>

Related Parties	Relationship	Details of Transaction	Amount (Million Baht)	Opinion of the Audit Committee
			01/04/07 - 31/03/08	
2. Mr. Prasert Akarapongpisak	Mr. Prasert Akarapongpisak serves as a director of NSCM and the subsidiaries including Auto Metal Co., Ltd. and D-Stainless Co., Ltd.	<ul style="list-style-type: none"> - Revenue - Account Receivables - Commission fee - Accrued Commission 	<p style="text-align: right;">83.68</p> <p style="text-align: right;">16.49</p> <p style="text-align: right;">0.67</p> <p style="text-align: right;">0.11</p>	
3. Mr. Prasarn Akarapongpisak	<p>Mr. Prasarn Akarapongpisak serves as director, Managing Director and authorized director of the Company.</p> <p>Mr. Prasarn Akarapongpisak holds 11.25% of the Company (information as of February 29, 2008).</p>	<p><u>Guarantee</u></p> <ol style="list-style-type: none"> 1. Mr. Prasarn Akarapongpisak has guaranteed the Company's loan in the amount of Baht 844,600,000 with Siam Comercial Bank Plc. 2. Mr. Prasarn Akarapongpitak has guaranteed the Company's loan in the amount of Baht 45,000,000 with Kasikorn Bank Plc. dated January 23, 2006. 	<p style="text-align: right;">844.60</p> <p style="text-align: right;">45.00</p>	Such guarantees were for the benefit of the Company as the banks required the Company's director to guarantee the Company's loans.

The necessity and reasonableness of the transactions

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

In addition, the audit committee found that during the period ended on March 31, 2008, none of the customers of NSCM has ever been the customers of the Company.

Procedure to undertake the related transactions

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

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

- (1) In case of the normal business transactions or the transactions to support the normal business with general terms and conditions and compensations that can be calculated from assets or reference prices, the procedure to undertake those transactions shall be in accordance with the regulations of the SEC office and the Stock Exchange of Thailand with regard to the connected transaction. The undertaken transactions shall be reported to the audit committee on a quarterly basis.
- (2) In case of other related transactions apart from those described in (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.
- (3) The Company shall disclose the related transaction in the notes to the audited financial statements, form 56-1 and the annual report.
- (4) The Company shall comply with the securities and exchange laws and in case that the Company has its securities listed on the Stock Exchange of Thailand, the Company shall comply with rules, announcements, order and regulations of the Stock Exchange of Thailand as well as the regulation with regard to the disclosure of the connected transaction and the acquisition and disposition of assets.

The policy to undertake the future related transactions

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

The Future Plan

The Company and its subsidiaries has the goal to be the leader in stainless steel processing business whose services includes servicing, procuring, processing stainless steel, galvanized steel, electro-galvanized steel, stainless steel pipe/tube manufacturing, delivering and distributing of products. The Company and its subsidiaries have the future plan to expand its business to serve the increasing demand for stainless products as follows:

1) The Prapradang Factory

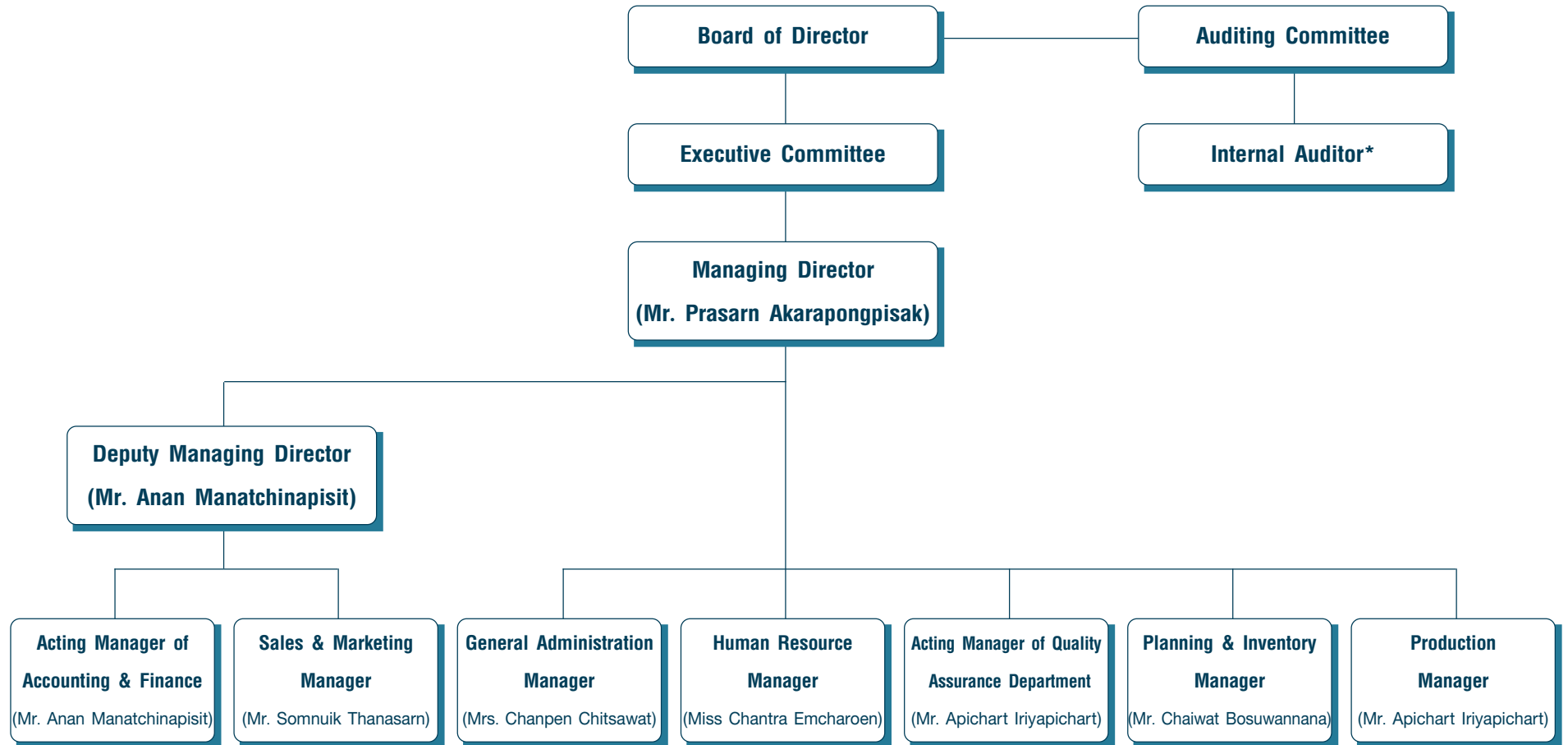
- (a) To build more buildings for stainless piping machine where the machine will be ordered in 2008 with the investment of Baht 20 million.
- (b) To expand the capacity of round and rectangular stainless tube production from 2,500 tons per year to 3,500 tons per year where the Company will order such machine in 2008 with the investment of Baht 10 million. Such expansion is to serve the increasing demand of stainless product in response to the economic expansion and to serve the additional export market.
- (c) To expand the capacity of stainless pipe/tube polishing which will be started in 2008 with the investment of Baht 10 million.
- (d) To improve the efficiency of the stainless slitting machine to serve the electronic industry in 2008 with the investment of Baht 5 million.

2) The Factory at Amata Nakorn Industrial Estate

Auto Metal Company Limited, the Company's subsidiary, which is located at Amata Nakorn industrial estate planned to build 1 factory building and to purchase the machine for cutting and bending stainless pipe for automotive usage in the amount of Baht 25 million and the machine for stainless steel pipes for motorcycle industry in the amount of Baht 20 million, or Baht 45 million altogether. The plan to build the factory building and machine purchasing will be undertaken within 2008.

The proceed from the initial public offering in January 2008 will be used to finance the Company's future plan.

Management Structure



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

DETAILS OF DIRECTORS AND EXECUTIVE MANAGEMENT AS OF FEBRUARY 29, 2008

No.	Name Position	Age (Year)	Educational Background	Share holding In LHK (As at February 29, 2008)	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	60 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	-	-	Mar. 2005 - Present	Chairman of the Board of Directors, Independent Director and Chairman of the Audit Committee	Lohakit Metal Public Company Limited / Procuring and distributing stainless steel coils products
						1991 - Present	Chairman of the Board of Directors	Issarapab Enterprise Co., Ltd. / Delivery concrete
						2002 - Present	Independent Director and Audit Committee	Muramoto Electron (Thailand) Plc. / Electronic parts manufacturer and exporter
						2004 - 2007	Managing Director	Thai Herbal Products Co., Ltd. / Thai Herbal Products manufacturer and distributor
						2005 - Present	Audit Sub-Committee	The Office of the National Research Council of Thailand
						2005 - Present	Independent Director and Chairman of the Audit Committee	Sahapattana Inter Holding Plc. / Investment Business
						2005 - Present	Honorable Committee	Office of Community Enterprise Promotion Board
						2006 - Present	Director	Marketing Organization of Farmers
						2007 - Present	Independent Director and Member of Audit Committee	Thanulux Public Company Limited / Clothes and leather accessories manufacturer
						2003 - 2005	Director	Thai Plywood Co., Ltd. / Plywood and M.D.F. door manufacturer
						2003 - 2004	Chairman of Executive Committee	Thai Herbal Products Co., Ltd. / Thai Herbal Products manufacturer and distributor

No.	Name Position	Age (Year)	Educational Background	Share holding In LHK (As at February 29, 2008)	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					2003 - 2005	Director	Thai Watana Pharmaceutical Dextrose Co. Ltd. / Dextrose Manufacturer, Exporter and wholesale
						2002 - 2005	Director and Chairman of the Audit Committee	The Government Pharmaceutical Organization / Pharmacy manufacturer and distributor
						2002 - 2004	Managing Director	Krung Thai Property Development / Selling real estate

No.	Name Position	Age (Year)	Educational Background	Share holding In LHK (As at February 29, 2008)	Relation between the Director Member	Work Experience for the last 5 years		
						Period	Job Title	Company Name/Type of Business
2.	Mr. Prasarn Akarapongpisak* Director, Chairman of Executive Committee and Managing Director	49 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 DCP60/2005	15 %	-	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 and distributing stainless steel coils products Zoom Room Co., Ltd. / Event Organizer D-Stainless Co., Ltd. / Special grade stainless (D-Stainless) distributor Truemind & Partners Co., Ltd. / Business Consultant Auto Metal Co., Ltd. / Automotive Pipes Manufacturer and Distributor
3.	Mr. Anan Manatchinapisit* Director, Member of Executive Committee, Deputy Managing Director and Acting Manager of Accounting and Financing Department	45 years	- MAcc, Chulalongkorn University - BA Accounting, Chulalongkorn University - Director Certification Program DCP 92/2007	-	-	2006-Present 2005 - Present 2000 - 2005	Director, Member of Executive Committee, Deputy Managing Director and Acting Manager of Accounting and Financing Department Deputy Managing Director Financial Director	Lohakit Metal Public Company Limited / Procuring and distributing stainless steel coils products Lohakit Metal Public Company Limited / Procuring and distributing stainless steel coils products Schneider (Thailand) Co., Ltd. / Manufacturing electrical distribution and automation control equipment utilising

Remark : * The Company's authorized directors

No.	Name Position	Age (Year)	Educational Background	Share holding In LHK (As at February 29, 2008)	Relation between the Director Member	Work Experience for the last 5 years		
						Period	Job Title	Company Name/Type of Business
4.	Mr. Somnuik Thanasarn* Director, Member of Executive Committee and Sales & Marketing Manager	42 years	- Bachelor of Economics Thammasat University	-	-	2008 - Present	Director, Member of Executive Committee	Lohakit Metal Public Company Limited / Procuring and distributing stainless steel coils products
						1999 - Present	Sales & Marketing Manager	Lohakit Metal Public Company Limited / Procuring and distributing stainless steel coils products
5.	Mr. Anurut Vongvanij	46 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	Director	Lohakit Metal Public Company Limited / Procuring and distributing stainless steel coils products
						1996 - Present	President	The British Dispensary(L.P.) Co., Ltd. / Manufacturing Perfume, Cosmetic and Pharmacy
						2004 - Present	President	Vongvanij Holding Co., Ltd. / Investment Business

Remark : * The Company's authorized directors

No.	Name Position	Age (Year)	Educational Background	Share holding In LHK (As at February 29, 2008)	Relation between the Director Member	Work Experience for the last 5 years		
						Period	Job Title	Company Name/Type of Business
6.	Mr. Teera Na Wangkanai Director, Independent Director and Member of Audit Committee	51 years	- Senior Executive Program Sasin Graduate Institute of Business Administration of Chulalongkorn University - Sugar Technology College, Queensland, Australia - Western Australian Institute of Technology, Australia - Director Certification Program 54/2005 March 2005	-	-	2005 - Present	Director, Independent Director and Member of Audit Committee	Lohakit Metal Public Company Limited / Procuring and dustributing stainless steel coils products
						1985 - Present	Director	J.C.B.C. Co., Ltd. / Manufacturer of Particle Board
						2002 - Present	Director	Thai Sugar MillierCo., Ltd. / Consultants and advisers of Business Administration
						2003 - Present	Director	Estima Consulting Co., Ltd. / Dealers of wines, spirits, liquor, alcoholic, beer etc.
						1987 - Present	Director	Sugar Industry Trading Co., Ltd./ Sugar Exporter
						1994 - Present	Director	Credence Co.,Ltd. / Wholesale tissue paper, plastic and sugar.
						1998 - Present	Director	Kanine Transport Co., Ltd./ Transportation Service
						1998 - Present	Director	Chaochom Warehouse Co., Ltd./ Warehouse for sugar servicer
						1992 - Present	Director	Mahawang Sugar Co., Ltd. / Sugar manufacturer and distributor
						1992 - Present	Director	Ratchasima Sugar Co., Ltd./ Sugar manufacturer and distributor
						1992 - Present	Director	Chaimongkol Refined Sugar Co., Ltd./ Sugar manufacturer and distributor
						1987 - Present	Director	Wangkanai Sugar Co., Ltd./ Sugar manufacturer and distributor
						Present	Director	Wang Petchaboon Sugar Co., Ltd. / Sugar manufacturer and distributor
						Present	Director	Wangkanai Co., Ltd. / Commercial and Agricultural Business

No.	Name Position	Age (Year)	Educational Background	Share holding In LHK (As at February 29, 2008)	Relation between the Director Member	Work Experience for the last 5 years		
						Period	Job Title	Company Name/Type of Business
6.	Mr. Teera Na Wangkanai Director, Independent Director and Member of Audit Committee					1988 - Present	Director	Wangkanai Terminal Co., Ltd. / Ship Loader for sugar Transportation
						1992 - Present	Director	Wangkanai International Co., Ltd./ Exportor sugar machinery and equipments
						Present	Director	Wangkanai Paper Co., Ltd. / Manufacturing Paper
						1991 - Present	Director	Wang Business Co., Ltd./ handle customs procedures for imports and export operation.
						1994 - Present	Director	Wang Yai Mei Co., Ltd. / Glue and Chemical products manufacturer
						2001 - Present	Director	Thai Cane and Sugar Co., Ltd./ Thai Broker Represent of sugar export
						1992 - Present	Director	Ang Thong Warehouse Co., Ltd./ Warehouse and transfer sevice
						1992 - Present	Director	Aree Building Co., Ltd. / Rented Building
						1992 - Present	Director	Aaw Thai Warehouse Co., Ltd. / Sugar warehouse
						1992 - Present	Director	International Computer World Co., Ltd. / Warehouse computers and electronic part
						1987 - Present	Director	T.N. Sugar Industry Co., Ltd./ Sugar manufacturer and distributor
						Present	Director	Angvian Industry Co., Ltd./ Sugar manufacturer and distributor
						1990 - Present	Director	A.S.A.Group Co., Ltd. / Allocating land, golf course and resort

No.	Name Position	Age (Year)	Educational Background	Share holding In LHK (As at February 29, 2008)	Relation between the Director Member	Work Experience for the last 5 years		
						Period	Job Title	Company Name/Type of Business
7.	Mr. Lert Nitheranont Director, Independent Director and Member of Audit Committee	46 years	<ul style="list-style-type: none"> - 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 	0.006	-	Mar 2005 -Present	Director, Independent Director and Member of Audit Committee	Lohakit Metal Public Company Limited / Procuring and distributing stainless steel coils products
						1996 - Present	Director	Crane Today (Asia) Co., Ltd. / Importer Tower Crane and spare parts
						2005 - Present	Director	Thai Delights Group Co., Ltd. / Thai restaurant and spa
						2002 - Present	Director	Roka Co., Ltd. / Transportation Servicer
						1984 - Present	Director	Royal Concord Interrade Co., Ltd. / Trading Business
						2003 - Present	Director	Eco-Tex (Thailand) Co.,Ltd. / Consultant of Quality and Environment System
8.	Mrs. Chanpen Chitsawat General Administration Manager	37 years	High Vocational Certificate, Wiboon Business Administration College, Business Computer	-	-	2007 - Present	General Administration Manager	Lohakit Metal Public Company Limited / Procuring and distributing stainless steel coils products
						2002 - 2006	Purchasing Manager	Lohakit Metal Public Company Limited / Procuring and distributing stainless steel coils products

No.	Name Position	Age (Year)	Educational Background	Share holding In LHK	Relation between the Director Member	Work Experience for the last 5 years		
						Period	Job Title	Company Name/Type of Business
9.	Miss Chantra Emcharoen Human Resource Manager	38 years	Bachelor of Education, Psychology and Guidance, Bansomdejchaophraya University	-	-	2007 - Present	Human Resource Manager	Lohakit Metal Public Company Limited / Procuring and distributing stainless steel coils products
						2000 - 2007	Persanel Section Cief	M.P.LUCK U.V. Co., Ltd. / Coating plastic and printing
10.	Mr. Chaiwat Bosuwannana Planning & Inventory Manager	34 years	BBA, Industrial Management, Rajamangala University of Technology Thanyaburi	-	-	2005 - Present	Planning & Inventory Manager	Lohakit Metal Public Company Limited / Procuring and distributing stainless steel coils products
						2004 - 2005	Assistant to Planning Manager	Takahashi Plastic Co., Ltd. / Manufacturer Plastic parts
						2002 - 2004	Planning Section Chief	Thai Sungshin New Materials Co.,Ltd / Manufacturer flipflop and shoes
11.	Mr. Apichart Iriyapichart Production Manager and Acting Manager of Quality Assurance department	35 years	Master of Engineering, King Mongkut's University of Technology, Thonburi	-	-	2005 - Present	Production Manager and Acting Manager of Quality Assurance department	Lohakit Metal Public Company Limited / Procuring and distributing stainless steel coils products
						2003 - 2004	Factory Manager	V.R. Union Co., Ltd. / Manufacturer faucet, griddle and handle of sanitary ware
						2001 - 2003	Quality and Tachnical Manager	Burapa Steel Co., Ltd. / Manufacture cast iron and ductile cast iron parts

Management Discussion and Analysis

Operating Performance

For the year ended 31st March 2008, the Company and its subsidiaries had net profit of Baht 80.36 million which decreased by Baht 3.60 million, or accounting for 4.3 percent, compared with net profit of Baht 83.96 million for the same period the previous year. This was mainly due to the increase in corporate income tax expenses of Baht 17.71 million (owing to the benefit from loss carry forward was out of for the year ended 31st March 2008) and the increase in interest expenses of Baht 7.96 million whilst the increased in earning before interest and tax of Baht 22.07 million, compared with the same period the previous year.

1. Revenue

For the year ended 31st March 2008, the Company and its subsidiaries had revenue from the sales of goods of Baht 2,553.55 million which increased from Baht 2,106.52 million in the same period the previous year or increased by 21.2 percent. This was due to the continuously growth in computer, electrical and automotive industries, which are the Company and its subsidiaries' customers, have continuous increase in demand on stainless as well as an increase in revenue from the sales of its subsidiaries' products such pipe for car and motorcycle, and D-Stainless products.

The Company and its subsidiaries' revenue from the sales of goods are mostly revenue from domestic sales. For the year ended 31st March 2007 and 2008, the Company and its subsidiaries had revenue from domestic sales of 92.55 percent and 93.65 percent of total revenue from the sale of goods, respectively. For the year ended 31st March 2008, the Company and its subsidiaries had revenue from domestic sales and export sales increased by 22.7 percent and 3.3 percent because the Company focuses on domestic market since consumption on stainless in Thailand is lower when compared with countries in Asia region such Japan, Korea and Taiwan, which result an increase in revenue from sales.

2. Gain from exchange rate

For the year ended 31st March 2008, the Company and its subsidiaries had gain from exchange rate of Baht 17.06 million which increased by Baht 15.54 million compared with the same period the previous year since the Baht was extremely strong while the Company and its subsidiaries imported raw materials.

3. Other income

Other income consists of interest income, gain from selling assets and income from selling slab. For the year ended 31st March 2008, the Company and its subsidiaries had other income of Baht 24.41 million which increased by 32.3 percent from the same period previous year. The significant other income is income from selling slab 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 slab and recorded as the other income.

4. Cost of sale of goods

Major cost of sale of goods are cost of raw material such cold rolled stainless steel sheet and coil and D-Stainless which the Company and its subsidiaries process. For the year ended 31st March 2008, the Company and its subsidiaries had cost of sale of goods of Baht 2,321.86 million or accounting for 88.88 percent of the total revenue compared with Baht 1,896.13 million or accounting for 88.60 percent of total revenue, in the same period the previous year which increased by 22.5 percent. The significantly increase in cost of sale of goods was due to an increase in quantity as well as an increase in raw material price

5. Selling and administrative expenses

Selling and administrative expenses consists of staff expenses, transportation expenses, promotion expenses. For the year ended 31st March 2008, the Company and its subsidiaries had selling and administrative expenses of Baht 106.62 million compared with selling and administrative expenses of Baht 84.74 million in the same period the previous year which increased by 25.8 percent. This was due to the marketing program such expo and exhibition to introduce new products, an increase in oil cost, advisory fee for Japanese technician as well as the Company and its subsidiaries adjusted the product quality system and accounting system in order to make more completely. For the year ended 31st March 2008, the selling and administrative expenses were 4.08 percent of total revenue, compared with selling and administrative expenses of 3.96 percent of total revenue in the same period the previous year.

6. Earning (loss) before interest and tax and Net Profit (loss)

For the year ended 31st March 2008, the Company and its subsidiaries had earning before interest and tax and net profit (after deduction interest expenses of Baht 55.59 million and corporate income tax expenses of Baht 38.49 million) of Baht 174.44 million and Baht 80.36 million compared with earning before interest and tax and net profit of Baht 152.37 million and Baht 83.96 million in the same period the previous year. The net profit decreased by 4.3 percent.

7. Profitability

For the year ended 31st March 2008, the Company and its subsidiaries had gross profit margin of 9.32 percent compared with gross profit margin of 10.24 percent in the same period the previous year. The gross profit margin decreased owing to the increase in cost of sale of goods which was result from increase in raw material price.

For the year ended 31st March 2008, the Company and its subsidiaries had net profit margin of 3.08 percent compared with gross profit margin of 3.92 percent, in the same period the previous year.

8. Return on Equity

The return on equity of the Company and its subsidiaries as of March 31, 2008 stood at 12.36% while that of the previous year stood at 16.22%. The return on equity decreased due to the increase of the Company's capital. On January 18, 2008, the Company received the proceed from the initial public offering of 80 million shares at the price of Baht 2.76 per share, totaling Baht 220.8 million with the premium on shares (net of the IPO expenses) of Baht 134.17 million.

9. Dividend Policy

For the accounting period of 2008, the Company and its subsidiaries had the net profit of Baht 80.36 million where on February 14, 2008, the board of directors's meeting No. 2/2008 passed the resolution to pay the interim dividend for the accounting period of 2008 at Baht 0.07 per share, or equivalent to Baht 22.40 million in total. The dividend is scheduled to be paid on March 13, 2008. Subsequently on May 29, 2008, the board of directors's meeting No. 3/2008 passed the resolution to propose the shareholder's meeting for their approval of the dividend payment of Baht 0.07 per share, or Baht 22.40 million in total.

Financial Status

1. Assets

For the accounting period of the year 2007 as at 31st March 2007 and the accounting period of the year 2008 as at 31st March 2008, the Company and its subsidiaries had total assets of Baht 1,639.82 million and Baht 1,602.02 million respectively since the Company and its subsidiaries operated integrated stainless center which provided many kinds of services such as procurement, transformation, manufacture and stainless product wholesale. Therefore, the Company and its subsidiaries' major assets are inventories, account receivables, land, plant and equipment as details below:

- 1.1 Inventories: As at 31st March 2007 and 31st March 2008 the Company and its subsidiaries had net inventories of Baht 735.58 million (or 44.86 percent of total assets) and Baht 654.60 million (or 40.86 percent of total assets) respectively. There was a decrease in inventories since the Company and its subsidiaries had more efficiency on inventory management in order to have shorter period of inventory turnover.
- 1.2 Trade account receivables, net - other parties: As at 31st March 2007 and 31st March 2008, the Company and its subsidiaries had Trade account receivables, net - other parties of Baht 419.19 million (or 25.56 percent of total assets) and Baht 486.23 million (or 30.35 percent of total assets) respectively. This increase in trade account receivables, net - other parties is a result of an increase in revenue from sale.
- 1.3 Land, plant and equipments-Land and improvements, building, machinery, office equipments, vehicles and work on progress of construction: As of 31st March 2007 and 31st March 2008, the Company and its subsidiaries had Land, plant and equipments - net of Baht 393.19 million (or 23.98 percent of total assets) and Baht 369.39 million (or 23.06 percent of total assets) respectively.

For current assets as at of 31st March 2007 and 31st March 2008, there were Baht 1,220.63 million (or 74.44 percent of total assets) and Baht 1,206.23 million (or 75.29 percent of total assets) respectively. The major current assets were inventories and trade account receivables.

2. Liquidity

In the accounting period of 2008, the Company and its subsidiaries had the cash outflow from investing activity of Baht 26.88 million as the Company purchased stainless pipe manufacturing machine and trucks while Auto Metal Company Limited purchased the machine for slitting stainless steel pipes for automotive usage. The cash outflow from financing stood at Baht 18.17 million from the capital increase, the loan repayment and dividend payment. The cash inflow from the operating activity stood at Baht 12.41 million. Consequently, the net cash inflow of the Company and its subsidiaries stood at Baht 3.71 million.

Liquidity Ratio

The liquidity ratio of the accounting period of 2007 and 2008 stood at 1.29 and 1.47 times, respectively. The liquidity ratio increased owing to the decreases in current liabilities such as short-term loans and account payables.

3. Liabilities

As at 31st March 2007 and 31st March 2008, the Company and its subsidiaries had total liabilities of Baht 1,080.16 million and Baht 861.43 million respectively. The major liabilities were bank overdraft and short term loans from financial institutions, trade account payables and long term loans. This decrease was mainly because loan repayment.

4 Shareholders' equity

As at 31st March 2007, shareholders' equity was Baht 559.66 million and as at 31st March 2008, shareholders' equity was increased to Baht 740.59 million. This increase was from Initial Public Offering amounting to Baht 80 million (at IPO price of Baht 2.76) on 18th January 2008. The total amount the Company gained from the IPO was Baht 220.8 million including premium on common stock (after subtracted expenses from IPO issuing) amounting to Baht 134.17 million. Moreover, the Company and its subsidiaries had net profits for the period of year 2008 amounting to Baht 80.36 million while the Company paid dividend of Baht 91.20 million in July 2007 and interim dividend of Baht 22.40 million in March 2008. Debt to Equity ratio, as at 31st March 2007, was 1.93 times and as at 31st March 2008, was 1.16 times respectively.

Factors that influence the future operation and financial status

The Company and its subsidiaries engage in the integrated stainless steel processing. The major business operation of the Company and its subsidiaries include sourcing, fabricating, manufacturing and distributing stainless products to the target customers in various industries. The business of the Company and its subsidiaries depends on the demand of the target customers, the long-term relationship with customers, the inventory management, the appropriate commercial terms and the liquidity management.

The Company sources raw materials from domestic and international suppliers where the prices of major raw materials such as stainless steel coil are subject to the world prices. The Company and its subsidiaries have adopted the supply chain management to manage the raw material purchasing, inventory and on-time delivery.

Other factors that influence the business operations of the Company and its subsidiaries include the product quality, the appropriate marketing strategies for both products and services, the pricing strategy, the efficient distribution channels.

Accounting Auditor's Remuneration

In the accounting year of 2008 ended on March 31, 2008, the Company and its subsidiaries paid the accounting auditor's remuneration to Ernst and Young Office Limited in the total amount of Baht 2,138,791 including the audit fee of Baht 2,000,000, the transportation expense of Baht 38,791 and other expense of Baht -0-. Apart from such remuneration, there is no other expense that the Company and its subsidiaries paid to the auditor, the office of the auditor and their related parties.



Lohakit Metal Public Company Limited and its Subsidiaries

Report and Consolidated Financial Statements

31 March 2008 and 2007

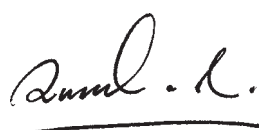
Report of independent auditor

To the shareholders of Lohakit Metal Public Company Limited

I have audited the accompanying consolidated balance sheets of Lohakit Metal Public Company Limited and its subsidiaries as at 31 March 2008 and 2007, the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended, and the separate financial statements of Lohakit Metal Public Company Limited for the same years. These financial statements are the responsibility of the Company's management as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lohakit Metal Public Company Limited and its subsidiaries and of Lohakit Metal Public Company Limited as at 31 March 2008 and 2007, and the results of their operations and cash flows for the years then ended, in accordance with generally accepted accounting principles.



Sumalee Reewarabandith
Certified Public Accountant (Thailand) No. 3970

Ernst & Young Office Limited
Bangkok: 29 May 2008

Lohakit Metal Public Company Limited and its subsidiaries

Balance sheets

As at 31 March 2008 and 2007

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2008	2007	2008	2007
Assets					
Current assets					
Cash and cash equivalents		33,722,378	30,012,980	30,168,586	22,478,947
Trade accounts receivable - other companies, net	5	486,226,174	419,192,253	349,952,092	289,455,779
Trade accounts receivable - related companies	5,6	16,494,748	17,770,802	121,756,914	171,461,102
Inventories - net	7	654,599,421	735,579,773	616,906,121	713,055,832
Short-term loan to and interest receivable					
from related company	6	-	-	24,252,774	-
Other current assets		15,185,486	18,077,050	9,628,965	12,091,754
Total current assets		1,206,228,207	1,220,632,858	1,152,665,452	1,208,543,414
Non-current assets					
Investments in subsidiaries	8	-	-	140,998,600	70,998,600
Property, plant and equipment - net	9	369,387,084	393,185,081	197,181,911	220,879,100
Restricted deposit at financial institution		5,000,000	5,000,000	5,000,000	5,000,000
Income tax refundable		19,079,384	19,079,384	19,079,384	19,079,384
Other non-current assets		2,326,829	1,926,969	1,964,100	1,564,240
Total non-current assets		395,793,297	419,191,434	364,223,995	317,521,324
Total assets		1,602,021,504	1,639,824,292	1,516,889,447	1,526,064,738

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

Lohakit Metal Public Company Limited and its subsidiaries

Balance sheets (continued)

As at 31 March 2008 and 2007

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2008	2007	2008	2007
Liabilities and shareholders' equity					
Current liabilities					
Bank overdrafts and short-term loans from financial institutions	10	573,839,292	572,346,310	520,443,001	567,140,007
Trade accounts payable - other companies		149,577,053	295,456,318	134,915,607	277,184,383
Trade accounts payable - related company	6	-	-	1,081	257,741
Current portion of long-term loans	12	50,000,000	50,000,000	24,000,000	24,000,000
Current portion of financial lease payables	11	5,308,148	4,821,601	3,616,160	3,505,260
Corporate income tax payable		15,276,525	12,174,881	14,795,627	12,174,881
Other current liabilities	6	27,402,548	14,301,369	21,016,541	10,614,304
Total current liabilities		821,403,566	949,100,479	718,788,017	894,876,576
Non-current liabilities					
Long-term loans - net of current portion	12	36,500,000	126,500,000	5,000,000	29,000,000
Financial lease payables	11	3,524,342	4,561,082	2,502,019	2,751,425
Other non-current liabilities		1,400	1,400	-	-
Total non-current liabilities		40,025,742	131,062,482	7,502,019	31,751,425
Total liabilities		861,429,308	1,080,162,961	726,290,036	926,628,001

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

Lohakit Metal Public Company Limited and its subsidiaries

Balance sheets (continued)

As at 31 March 2008 and 2007

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2008	2007	2008	2007
Shareholders' equity					
Share capital	13				
Registered					
320,000,000 ordinary shares of Baht 1 each					
(2007: 300,000,000 ordinary shares of Baht 1 each)		320,000,000	300,000,000	320,000,000	300,000,000
Issued and paid-up					
320,000,000 ordinary shares of Baht 1 each					
(2007: 240,000,000 ordinary shares of Baht 1 each)		320,000,000	240,000,000	320,000,000	240,000,000
Premium on ordinary shares	13	330,672,600	196,496,600	330,672,600	196,496,600
Retained earnings - unappropriated					
Statutory reserve	14	10,194,921	5,665,587	10,194,921	5,665,587
Unappropriated		79,724,675	117,499,144	129,731,890	157,274,550
Total shareholders' equity		740,592,196	559,661,331	790,599,411	599,436,737
Total liabilities and shareholders' equity		1,602,021,504	1,639,824,292	1,516,889,447	1,526,064,738
		0	0	0	0

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

Directors

Lohakit Metal Public Company Limited and its subsidiaries

Income statements

For the year ended 31 March 2008 and 2007

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2008	2007	2008	2007
Revenues					
Sales		2,553,547,497	2,106,519,165	2,423,317,459	2,091,933,819
Service income		17,459,844	13,521,807	22,173,369	13,521,807
Gain from exchange rate		17,054,827	1,517,186	15,236,901	1,227,745
Other income		24,412,552	18,454,652	23,442,091	19,550,438
Total revenues		2,612,474,720	2,140,012,810	2,484,169,820	2,126,233,809
Expenses					
Cost of sales		2,321,853,553	1,896,128,089	2,204,302,983	1,875,105,076
Cost of services		9,561,942	6,769,243	12,143,540	6,769,243
Selling and administrative expenses		106,623,048	84,747,326	93,961,728	71,984,685
Total expenses		2,438,038,543	1,987,644,658	2,310,408,251	1,953,859,004
Income before interest expense and income tax		174,436,177	152,368,152	173,761,569	172,374,805
Interest expense		(55,588,362)	(47,626,272)	(45,732,642)	(38,295,296)
Corporate income tax		(38,492,950)	(20,785,023)	(37,442,253)	(20,767,770)
Net income for the year		80,354,865	83,956,857	90,586,674	113,311,739
Basic earnings per share					
	17				
Net income		0.31	0.35	0.35	0.47
Weighted average number of ordinary shares (shares)		255,519,126	240,000,000	255,519,126	240,000,000

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

Lohakit Metal Public Company Limited and its subsidiaries

Statements of cash flows

For the year ended 31 March 2008 and 2007

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Cash flows from operating activities				
Net income before tax	118,847,815	104,741,880	128,028,927	134,079,509
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation	58,033,281	51,175,314	40,329,452	37,429,443
Allowance for doubtful accounts (reversal)	3,337,738	(3,100,042)	3,337,738	(3,100,042)
Allowance for stock obsolescence (reversal)	(2,264,189)	9,404,720	(2,349,650)	9,404,720
Gain on sales of property, plant and equipment	(1,378,071)	(146,902)	(1,378,071)	(146,902)
Unrealised loss (gain) on foreign exchange rate	(12,542,194)	2,985,959	(11,879,026)	2,476,815
Interest expense	55,588,362	47,626,272	45,732,642	38,295,296
Income from operating activities before changes in operating assets and liabilities	219,622,742	212,687,201	201,822,012	218,438,839
Decrease (increase) in operating assets				
Trade accounts receivable - other companies	(70,492,693)	58,348,225	(63,955,085)	114,143,278
Trade accounts receivable - related companies	1,276,054	48,980,591	49,704,188	(27,915,320)
Inventories	83,244,541	(264,458,830)	98,499,361	(241,934,889)
Other current assets	2,934,117	(3,980,846)	2,462,789	(2,267,448)
Other non-current assets	(399,860)	(398,529)	(399,860)	(351,800)
Increase (decrease) in operating liabilities				
Trade accounts payable - other companies	(145,858,347)	(30,926,523)	(141,990,617)	(49,422,358)
Trade accounts payable - related companies	-	-	(256,660)	257,741
Other current liabilities	14,005,324	(24,249,508)	10,963,261	(16,286,872)
Cash flows from (used in) operating activities	104,331,878	(3,998,219)	156,849,389	(5,338,829)
Cash paid for interest expenses	(56,491,382)	(48,259,658)	(46,280,879)	(38,890,498)
Cash paid for corporate income tax	(35,433,859)	(8,698,164)	(34,821,506)	(8,592,889)
Net cash from (used in) operating activities	12,406,637	(60,956,041)	75,747,004	(52,822,216)

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

Lohakit Metal Public Company Limited and its subsidiaries

Statements of cash flows (continued)

For the year ended 31 March 2008 and 2007

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Cash flows from investing activities				
(Increase) decrease in short-term loan to and interest receivable from related company	-	-	(24,252,774)	26,000,000
Cash paid for additional investment in subsidiary	-	-	(70,000,000)	(30,000,000)
Acquisition of property, plant and equipment	(28,414,175)	(21,016,158)	(12,076,154)	(10,510,732)
Proceeds from sales of property, plant and equipment	1,532,336	147,196	1,532,336	147,196
Net cash used in investing activities	(26,881,839)	(20,868,962)	(104,796,592)	(14,363,536)
Cash flows from financing activities				
Increase (decrease) in bank overdrafts and short-term loans from financial institutions	14,116,108	(81,538,646)	(35,005,952)	20,547,111
Cash received from long-term loans	-	195,000,000	-	65,000,000
Repayment of long-term loans	(90,000,000)	(18,500,000)	(24,000,000)	(12,000,000)
Dividend paid	(113,600,000)	-	(113,600,000)	-
Cash received from share capital increase	214,176,000	-	214,176,000	-
Repayment of financial lease payables	(6,525,567)	(7,629,233)	(4,848,880)	(6,157,976)
Net cash from financing activities	18,166,541	87,332,121	36,721,168	67,389,135
Effect of exchange rate to cash and cash equivalents	18,059	34,340	18,059	34,340
Net increase in cash and cash equivalents	3,709,398	5,541,458	7,689,639	237,723
Cash and cash equivalents at beginning of year	30,012,980	24,471,522	22,478,947	22,241,224
Cash and cash equivalents at end of year	33,722,378	30,012,980	30,168,586	22,478,947
	0	0	0	0
Supplemental cash flows information				
Non-cash items:				
Motor vehicles purchased under financial lease agreement	5,975,374	3,798,000	4,710,374	1,643,000

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

Lohakit Metal Public Company Limited and its subsidiaries

Notes to financial statements

For the years ended 31 March 2008 and 2007

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 cutting and distribution of iron and metal products and its registered address is 66/1 Moo 6 Suksawad Road, Bangjak, Prapradaeng, Samutprakarn.

On 24 January 2008 the Stock Exchange of Thailand approved the listing of the Company’s ordinary shares.

2. Basis of preparation

2.1 The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act B.E. 2547. The presentation of the financial statements has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 14 September 2001, issued under the Accounting Act B.E. 2543.

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 and the following subsidiaries:

<u>Company's name</u>	<u>Nature of business</u>	<u>Percentage of shareholding</u>		<u>Country of incorporation</u>	<u>Assets as a percentage to the consolidated total assets as at 31 March</u>		<u>Revenues as a percentage to the consolidated total revenues for the year ended 31 March</u>	
		<u>2008</u>	<u>2007</u>		<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
		Percent	Percent		Percent	Percent	Percent	Percent
Auto Metal Company Limited	Production, smelting and assembly for all types of metal	100	100	Thailand	16	13	5.27	0.45
D-Stainless Company Limited	Distribution and assembly for all types of metal	100	100	Thailand	7	8	21.39	23.94

- b) Material balances and transactions between the Company and its subsidiaries have been eliminated from the consolidated financial statements.
 - c) Investments in the subsidiaries as recorded in the Company's books of account are eliminated against the equity of the subsidiaries.
- 2.3 The separate financial statements, which present investments in subsidiaries presented under the cost method, have been prepared solely for the benefit of the public.

3. Adoption of new accounting standards

The Federation of Accounting Professions (FAP) has issued Notifications No. 9/2550, 38/2550 and 62/2550 regarding Accounting Standards. The notifications mandate the use of the following new Accounting Standards.

TAS 25 (revised 2007)	Cash Flow Statements
TAS 29 (revised 2007)	Leases
TAS 31 (revised 2007)	Inventories
TAS 33 (revised 2007)	Borrowing Costs
TAS 35 (revised 2007)	Presentation of Financial Statements
TAS 39 (revised 2007)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 41 (revised 2007)	Interim Financial Reporting
TAS 43 (revised 2007)	Business Combinations
TAS 49 (revised 2007)	Construction Contracts
TAS 51	Intangible Assets

These accounting standards become effective for the financial statements for fiscal years beginning on or after 1 January 2008. The management has assessed the effect of these accounting standards and believes that TAS 49 is not relevant to the business of the Company, whereas TAS 25, TAS 29, TAS 31, TAS 33, TAS 35, TAS 39, TAS 41 and TAS 51 do not have any significant impact on the financial statements for the year in which they are initially applied. In this regard, the Company has elected to adopt the presentation of statements of cash flows for the years ended 31 March 2008 and 2007 in accordance to TAS 25 (revised 2007).

4. Significant accounting policies

4.1 Revenue recognition

Sales of goods

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

Rendering of services

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

4.2 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and cash at banks 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 debtor aging.

4.4 Inventories

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

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

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

4.5 Investments

Investments in subsidiaries in the Company's separate financial statements are stated at cost less allowance for loss on impairment of assets (if any).

4.6 Property, plant, equipment and depreciation

Land is stated at cost. Buildings and equipment are stated at cost less accumulated depreciation and allowance for loss on impairment of assets (if any). The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, improvements and renewals are capitalised, while expenditures for maintenance and repairs are charged to the income statements. When assets are sold or retired, their cost and accumulated depreciation are removed from the accounts and any gain or loss resulting from their disposal is included in the income statements.

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

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

Depreciation is included in determining income.

No depreciation is provided on land, land improvement and construction in progress.

4.7 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.

4.8 Financial lease contracts

The Company and subsidiaries regard a lease that transfers substantially all the risks and rewards of ownership as a finance lease whereby the fair value of the leased properties is recorded as assets and future rental commitments (minus the interest portion) as liabilities.

Interest expense or finance charges are included in determining income according to the remaining balance of the liabilities.

4.9 Foreign currencies

Foreign currency transactions are translated into Thai Baht at the exchange rates ruling on the transaction dates. Assets and liabilities in foreign currency outstanding at the balance sheet date are translated into Thai Baht at the exchange rates ruling on the balance sheet date.

Exchange gains and losses are included in determining income.

4.10 Impairment of assets

The Company and its subsidiaries assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Company and its subsidiaries make an estimate of the asset's recoverable amount. Where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the income statement. An asset's recoverable amount is the higher of fair value less costs to sell and value in use.

4.11 Employee benefits

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

4.12 Provisions

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

4.13 Income tax

Income tax is provided for in the accounts based on the taxable profits determined in accordance with tax legislation.

4.14 Use of accounting estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions in certain circumstances, affecting amounts reported in these financial statements and related notes. Actual results could differ from these estimates.

5. Trade accounts receivable

The outstanding balances of trade accounts receivable as at 31 March 2008 and 2007 are aged, based on due date, as follows:

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2008	2007	2008	2007
Trade accounts receivable - other companies				
Not yet due	387,633,394	308,857,186	283,884,591	203,074,435
Past due				
Not over 3 months	98,447,112	108,408,748	65,921,833	84,455,025
Over 3 months to 6 months	274,356	2,131,268	274,356	2,131,268
Over 6 months to 12 months	291,337	298,594	291,337	298,594
Over 12 months	31,950,035	28,528,779	31,950,035	28,528,779
Total	518,596,234	448,224,575	382,322,152	318,488,101
Less: Allowance for doubtful accounts	(32,370,060)	(29,032,322)	(32,370,060)	(29,032,322)
Trade accounts receivable - other companies, net	<u>486,226,174</u>	<u>419,192,253</u>	<u>349,952,092</u>	<u>289,455,779</u>
Trade accounts receivable - related companies				
Not yet due	14,343,963	14,469,085	94,461,522	108,341,282
Past due				
Not over 3 months	2,150,785	3,299,311	27,295,392	63,117,414
Over 3 months to 6 months	-	2,406	-	2,406
Over 6 months to 12 months	-	-	-	-
Trade accounts receivable - related companies	<u>16,494,748</u>	<u>17,770,802</u>	<u>121,756,914</u>	<u>171,461,102</u>

6. Related party transactions

During the years, the Company and its subsidiaries had significant business transactions with related parties, which have been concluded on commercial terms and bases agreed upon in the ordinary course of businesses between the Company and those companies. Below is a summary of those transactions.

(Unit: Thousand Baht)

	For the years ended 31 March				Pricing policy
	Consolidated		Separate		
	financial statements		financial statements		
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	
<u>Transactions with subsidiaries</u>					
(Eliminate from the consolidated financial statements)					
Sales of goods	-	-	562,718	535,587	Market price less discount 1% and change to market price less discount 1.5% since January 2007 and change to market price less discount 2.0% since July 2007, and cost plus a margin at rate of 5%
Service income	-	-	4,714	-	Closed to the market price
Interest income	-	-	815	1,586	MLR per annum
Service expenses	-	-	1,179	2,355	Closed to the market price
<u>Transactions with related party</u>					
Sales of goods	83,682	187,899	46,451	164,036	Closed to the net selling price that is sold to major customers
Commission	672	656	523	388	Not over 2% of sales
<u>Transaction with shareholder</u>					
Guarantee remuneration	-	2,722	-	2,722	1.5% per annum

The balances of the accounts as at 31 March 2008 and 2007 between the Company and those related companies are as follows:

(Unit: Baht)

	Relationship	Consolidated financial statements		Separate financial statements	
		2008	2007	2008	2007
Trade accounts receivable - related companies					
Auto Metal Company Limited	Subsidiary	-	-	9,789,402	30,537,385
D-Stainless Company Limited	Subsidiary	-	-	104,223,455	127,896,108
Ngeck Seng Chiang Metal Company Limited	Common shareholder	16,494,748	17,770,802	7,744,057	13,027,609
		<u>16,494,748</u>	<u>17,770,802</u>	<u>12,756,914</u>	<u>171,461,102</u>
Short-term loan to and interest receivable from related party					
Auto Metal Company Limited	Subsidiary				
Principal		-	-	24,000,000	-
Interest receivable		-	-	252,774	-
		<u>-</u>	<u>-</u>	<u>24,252,774</u>	<u>-</u>

(Unit: Baht)

	Relationship	Consolidated financial statements		Separate financial statements	
		2008	2007	2008	2007
Trade accounts payable - related company					
Auto Metal Company Limited	Subsidiary	-	-	1,081	257,741
Other current liabilities					
Accrued commission - Ngeck Seng Chiang					
Metal Company Limited	Common shareholder	112,732	254,857	84,457	184,488

During the year ended 31 March 2008, movements of short-term loan to related party were as follows:

(Unit: Baht)

	Balance as at 1 April 2007	Increase during the year	Balance as at 31 March 2008
Short-term loan to related party			
Auto Metal Company Limited	-	24,000,000	24,000,000

Directors and management's remuneration

In the year ended 31 March 2008 the Company and its subsidiaries paid salaries, meeting allowances and gratuities to their directors and management totaling Baht 22.9 million (Separate financial statements: Baht 17.4 million) (31 March 2007: Baht 24.6 million, Separate financial statements: Baht 18.6 million).

7. Inventories

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	31 March 2008	31 March 2007	31 March 2008	31 March 2007
Raw materials	233,595,727	285,484,458	214,883,110	274,200,639
Work in process	2,835,872	8,783,768	66,636	5,563,274
Finished goods	317,221,505	311,533,563	300,924,597	303,513,935
Goods in transit	142,230,348	175,101,309	142,230,348	175,101,309
Supplies	5,235,990	3,460,885	5,235,990	3,460,885
Total	701,119,442	784,363,983	663,340,681	761,840,042
Less: Allowance for stock obsolescence	(46,520,021)	(48,784,210)	(46,434,560)	(48,784,210)
Inventories - net	654,599,421	735,579,773	616,906,121	713,055,832

Movements in the allowance for stock obsolescence account during the year ended 31 March 2008 are summarised below.

	(Unit: Baht)	
	Consolidated financial statements	Separate financial statements
Balance as at 1 April 2007	48,784,210	48,784,210
Less: Allowance reversal during the year	(2,264,189)	(2,349,650)
Balance as at 31 March 2008	<u>46,520,021</u>	<u>46,434,560</u>

8. Investments in subsidiaries

These represent investments in ordinary shares in the following subsidiaries:

Company's name	Separate financial statements					
	Paid-up capital		shareholding percentage		Cost method	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	Million Baht	Million Baht	Percent	Percent		
Auto Metal Company Limited	140.0	70.0	100	100	139,999,300	69,999,300
D-Stainless Company Limited	1.0	1.0	100	100	999,300	999,300
Total					<u>140,998,600</u>	<u>70,998,600</u>

On 24 December 2007, a resolution of the Extraordinary General Meeting of the shareholders of Auto Metal Company Limited, a subsidiary, No. 5/2007 passed a resolution to increase of such subsidiary's share capital from Baht 70 million to Baht 140 million through the issuance of 700,000 additional ordinary shares at a par value of Baht 100 each. The Company made the payment of the additional share capital of Baht 70 million to its subsidiary on 25 December 2007 and the subsidiary registered the increase in share capital with the Ministry of Commerce on 26 December 2007.

9. Property, plant and equipment

(Unit: Baht)

Consolidated financial statements							
	Land and land improvement	Buildings and fixture	Machinery and equipment	Furniture and office equipment	Motor vehicles	Construction in progress	Total
Cost							
31 March 2007	94,260,639	149,812,391	432,600,122	27,120,397	44,837,800	234,526	748,865,875
Additions	-	61,400	7,984,512	965,249	6,161,494	19,216,894	34,389,549
Disposals	-	-	-	(63,000)	(4,073,696)	-	(4,136,696)
Transfer in (out)	-	507,355	16,170,651	885,932	-	(17,563,938)	-
31 March 2008	94,260,639	150,381,146	456,755,285	28,908,578	46,925,598	1,887,482	779,118,728
Accumulated depreciation							
31 March 2007	-	66,369,157	251,229,608	13,316,004	24,766,025	-	355,680,794
Depreciation for the year	-	7,683,301	38,327,424	3,834,431	8,188,125	-	58,033,281
Depreciation for disposals	-	-	-	(62,997)	(3,919,434)	-	(3,982,431)
31 March 2008	-	74,052,458	289,557,032	17,087,438	29,034,716	-	409,731,644
Net book value							
31 March 2007	94,260,639	83,443,234	181,370,514	13,804,393	20,071,775	234,526	393,185,081
31 March 2008	94,260,639	76,328,688	167,198,253	11,821,140	17,890,882	1,887,482	369,387,084
Depreciation for the year							
2007 (Baht 45 million included in manufacturing cost, and the balance in selling and administrator expenses)							51,175,314
2008 (Baht 49 million included in manufacturing cost, and the balance in selling and administrator expenses)							58,033,281

(Unit: Baht)

Separate financial statements							
	Land and land improvement	Buildings and fixtures	Machinery and equipment	Furniture and office equipment	Motor vehicles	Construction in progress	Total
Cost							
31 March 2007	73,061,639	106,386,843	319,452,221	23,720,833	39,707,818	224,766	562,554,120
Additions	-	61,400	1,525,856	865,501	4,896,494	9,437,277	16,786,528
Disposals	-	-	-	(63,000)	(4,073,696)	-	(4,136,696)
Transfer in (out)	-	507,354	8,268,757	885,932	-	(9,662,043)	-
31 March 2008	73,061,639	106,955,597	329,246,834	25,409,266	40,530,616	-	575,203,952
Accumulated depreciation							
31 March 2007	-	64,197,878	240,828,777	12,954,870	23,693,495	-	341,675,020
Depreciation for the year	-	5,506,073	24,730,501	3,142,195	6,950,683	-	40,329,452
Depreciation for disposals	-	-	-	(62,997)	(3,919,434)	-	(3,982,431)
31 March 2008	-	69,703,951	265,559,278	16,034,068	26,724,744	-	378,022,041
Net book value							
31 March 2007	73,061,639	42,188,965	78,623,444	10,765,963	16,014,323	224,766	220,879,100
31 March 2008	73,061,639	37,251,646	63,687,556	9,375,198	13,805,872	-	197,181,911
Depreciation for the year							
2007 (Baht 31 million included in manufacturing cost, and the balance in selling and administrator expenses)							37,429,443
2008 (Baht 33 million included in manufacturing cost, and the balance in selling and administrator expenses)							40,329,452

As at 31 March 2008, certain equipment items have been fully depreciated but are still in use. The original cost of those assets amounted to approximately Baht 203 million (31 March 2007: Baht 216 million).

Motor vehicles of the Company and its subsidiary with carrying value as at 31 March 2008 amounting to Baht 16 million (31 March 2007: Baht 17 million) have been pledged as collateral against liabilities under the financial lease agreement discussed in Note 11.

The Company and its subsidiary have pledged machinery and plant equipment with carrying value as at 31 March 2008 amounting to Baht 137 million (31 March 2007: Baht 169 million) and mortgaged all of their land with structures thereon with a bank to secure loans and other credit facilities granted to the Company and its subsidiary by that bank.

10. Bank overdrafts and short-term loans from financial institutions

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Bank overdrafts	-	5,206,303	-	-
Short-term loans from banks	150,000,000	255,000,000	120,000,000	255,000,000
Trust receipts	423,839,292	312,140,007	400,443,001	312,140,007
	<u>573,839,292</u>	<u>572,346,310</u>	<u>520,443,001</u>	<u>567,140,007</u>

Short-term loans from banks represent promissory notes maturing within 3 months and carrying interest at rates of 5.00 to 6.95% per annum (31 March 2007: 5.25 to 7.30% per annum).

These bank overdrafts, short-term loans from banks and trust receipts are secured by the mortgage of plots of the Company's land with structures thereon, as described in Note 9, and by the guarantee provided by a director of the Company.

11. Financial lease payables

(Unit: Baht)

	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Financial lease payables	8,832,490	9,382,683	6,118,179	6,256,685
Less: Current portion	<u>(5,308,148)</u>	<u>(4,821,601)</u>	<u>(3,616,160)</u>	<u>(3,505,260)</u>
Long-term portion	<u>3,524,342</u>	<u>4,561,082</u>	<u>2,502,019</u>	<u>2,751,425</u>

The motor vehicle leases have payment term of 36 months.

12. Long-term loans

(Unit: Baht)

	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Long-term loans	86,500,000	176,500,000	29,000,000	53,000,000
Less: Current portion	<u>(50,000,000)</u>	<u>(50,000,000)</u>	<u>(24,000,000)</u>	<u>(24,000,000)</u>
Long-term portion	<u>36,500,000</u>	<u>126,500,000</u>	<u>5,000,000</u>	<u>29,000,000</u>

The long-term loan of the Company of Baht 65 million is obtained from a local bank and carries interest rate at MLR per annum. It is to be paid as from December 2006, in quarterly installments of Baht 6 million. The loan is secured by the pledge of the Company's machinery. The loan agreement contains certain financial covenants, relating to matters such as the maintenance of certain financial ratios.

The long-term loan of the subsidiary of Baht 130 million is obtained from a local bank and carries interest rate at MLR per annum. This loan is to be repaid in quarterly installments of Baht 6.5 million for the first to seventeenth installment, Baht of 9.5 million for the eighteenth installment and Baht of 10 million for the nineteenth installment, commencing from February 2007. However, during the period, the subsidiary has repaid this loan in advance amounting to Baht 40 million. It is secured by the mortgage of the subsidiary's land with structures thereon, the pledge of the subsidiary's machinery and plant equipment as described in Note 9, and a guarantee provided by the subsidiary's director. This loan contains certain financial covenants, relating to matters such as the maintenance of certain financial ratios.

13. Share capital

On 29 June 2007, the Extraordinary General Meeting of the Company's shareholders approved the reduction in the Company's registered share capital from Baht 300,000,000 (300,000,000 ordinary shares of Baht 1 each) to Baht 240,000,000 (240,000,000 ordinary shares of Baht 1 each) through the cancellation of 60,000,000 shares, amounting to Baht 60,000,000. The Company registered the reduction in share capital with the Ministry of Commerce on 5 July 2007.

On 29 June 2007, the Extraordinary General Meeting of the Company's shareholders approved the increase of the Company's registered capital from Baht 240,000,000 (240,000,000 ordinary shares of Baht 1 each) to Baht 320,000,000 (320,000,000 ordinary shares of Baht 1 each), through the issuance of 80,000,000 additional ordinary shares with a par value of Baht 1 each. The Company registered the increase of its share capital with the Ministry of Commerce on 9 July 2007.

On 18 January 2008, the Company issued an initial public offering of 80 million ordinary shares at the price of Baht 2.76 per share. Total proceed from the Company's newly share offering was Baht 220.8 million, with a share premium of Baht 134.2 million, net of related expenses incurred in making the offering. The Company registered the change in its paid-up share capital to be Baht 320 million with the Ministry of Commerce on 21 January 2008.

14. Statutory reserve

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

As at 31 March 2008, the Company has transferred net income amounting to Baht 4.5 million (31 March 2007: Baht 5.7 million) to the statutory reserve.

15. Dividend

(Unit: Baht)

Dividend	Approve by	Dividend paid	Dividend per share
Final dividend for the year ended 31 March 2007	Annual General Meeting of shareholders on 29 June 2007	91,200,000	0.38
Interim dividend for the year ended 31 March 2008	Board of Directors' meeting on 14 February 2008	22,400,000	0.07
Total dividend for the year ended 31 March 2008		<u>113,600,000</u>	<u>0.45</u>

16. Number of employees and related costs

	Consolidated financial statements		Separate financial statements	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Number of employees at end of fiscal year (persons)	345	339	283	283
Employee costs for the year (Thousand Baht)	74,285	73,234	59,847	60,079

17. Basic earnings per share

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

18. Financial information by segment

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 operations are carried on in the single geographic area of Thailand. As a result, all of the revenues, operating income (loss) 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 2008 and 2007 amounted to Baht 162 million and Baht 157 million, respectively.

19. Provident fund

The Company and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Company contributed to the fund monthly at the rate of 5% of basic salary. The fund, which is managed by Siam Commercial Bank Public Company Limited, will be paid to employees upon termination in accordance with the fund rules. During the year ended 31 March 2008, the Company contributed Baht 0.8 million (31 March 2007: Baht 0.8 million) to the fund.

20. Promotional Privileges

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

A subsidiary has received promotional privileges from the Board of Investment for the manufacture of stainless steel tubes, pursuant to the promotion certificate No. 1407(2)/2548 issued on 23 March 2005. Subject to certain imposed conditions, the privileges include an exemption from corporate income tax for a period of 7 years from the date the promoted activity commenced generating revenues, and any losses incurred during the corporate income tax exemption period may be carried forward to be utilised by the subsidiary company 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.

21. Commitments and contingent liabilities

21.1 Operating lease commitments

The Company has entered into a lease agreement in respect of the office building space. As at 31 March 2008 rental payable are as follows:

	<u>Million Baht</u>
Payable within:	
1 year	2.6
2 to 5 years	3.7

21.2 Other service commitment

As at 31 March 2008, the Company had commitments of approximately Baht 4.6 million relating to technical assistance agreement and other service agreement.

21.3 Credit facilities

As at 31 March 2008, the Company has been granted credit facilities by various financial institutions for which it has placed collaterals, as follows: -

- Letter of credit facilities, guarantee facilities and short-term and long-term term loan facilities totaling to Baht 1,525.5 million, of which Baht 641.8 million of the utilised amounts is outstanding. These credit facilities are secured by the mortgage of the Company's land with structures thereon, the pledge of machinery and fixed deposits of the Company, and a guarantee provided by the Company's director.
- Overdraft facilities of Baht 30 million. The facility has not yet been utilised. The credit facilities are secured by the mortgage of the Company's land with structures thereon, the pledge of fixed deposits of the Company and a guarantee provided by the Company's director.

As at 31 March 2008, the subsidiary has been granted credit facilities by a financial institution for which it has placed collaterals, as follows: -

- Letter of credit facilities and long-term loan facilities totaling Baht 210 million, of which Baht 121.5 million of the utilised amounts is outstanding. These credit facilities are secured by the mortgage of the subsidiary's land with structures thereon, the pledge of the subsidiary's machinery and a guarantee provided by the subsidiary's director.
- Overdraft facilities of Baht 10 million. The facility has not yet been utilised. These credit facilities are secured by the mortgage of the subsidiary's land with structures thereon and a guarantee provided by the subsidiary's director.

22. Bank guarantees

As at 31 March 2008, there was no outstanding bank guarantees issued by a bank on behalf of the Company (31 March 2007: Baht 80 million in respect of certain performance bonds as required in the ordinary course of business of the Company).

23. Financial instruments

23.1 Financial risk management

The Company's and subsidiaries' financial instruments, as defined under Thai Accounting Standard No. 48 "*Financial Instruments: Disclosure and Presentations*", principally comprise cash and cash equivalents, trade accounts receivable, and short-term and long-term loans. 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, loans and other receivables as stated in the balance sheet.

Interest rate risk

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

Significant financial assets and liabilities as at 31 March 2008 classified by type of interest rates are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

Consolidated financial statements as at 31 March 2008						
	Fixed interest rate		Floating interest rate	Non-interest bearing	Total	Interest rate (% p.a.)
	Within 1 year	1 - 5 years				
	(Million Baht)					
Financial assets						
Cash and cash equivalents	1.0	-	0.7	32.0	33.7	0.50 - 4.75
Trade accounts receivable	-	-	-	502.7	502.7	-
Restricted deposit at financial institution	5.0	-	-	-	5.0	4.75
	6.0	-	0.7	534.7	541.4	
Financial liabilities						
Overdrafts and short-term loans from financial institutions	573.8	-	-	-	573.8	4.13 - 6.71
Trade accounts payable	-	-	-	149.6	149.6	-
Financial lease payables	5.3	3.5	-	-	8.8	4.09 - 6.51
Long-term loans from financial institutions	-	-	86.5	-	86.5	6.875
	579.1	3.5	86.5	149.6	818.7	
Separate financial statements as at 31 March 2008						
	Fixed interest rate		Floating interest rate	Non-interest bearing	Total	Interest rate (% p.a.)
	Within 1 year	1 - 5 years				
	(Million Baht)					
Financial assets						
Cash and cash equivalents	1.0	-	0.7	28.5	30.2	0.50 - 4.75
Trade accounts receivable	-	-	-	471.7	471.7	-
Restricted deposit at financial institution	5.0	-	-	-	5.0	4.75
	6.0	-	0.7	500.2	506.9	

Separate financial statements as at 31 March 2008

	Fixed interest rate		Floating interest rate	Non-interest bearing	Total	Interest rate (% p.a.)
	Within 1 year	1 - 5 years				
	(Million Baht)					
Financial liabilities						
Overdrafts and short-term loans						
from financial institutions	520.4	-	-	-	520.4	4.13 - 6.71
Trade accounts payable	-	-	-	134.9	134.9	-
Financial lease payables	3.6	2.5	-	-	6.1	4.09 - 6.32
Long-term loans from financial institutions	-	-	29.0	-	29.0	6.875
	<u>524.0</u>	<u>2.5</u>	<u>29.0</u>	<u>134.9</u>	<u>690.4</u>	

Foreign currency risk

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

The balances of financial assets and liabilities denominated in foreign currencies as at 31 March 2008 are summarised below.

Foreign currency	Financial assets	Financial liabilities	Average exchange rate as at 31 March 2008
	(Million)	(Million)	(Baht per 1 foreign currency unit)
US dollar	0.3	15.5	31.4603
Singapore dollar	-	0.1	22.7874
Yen	-	7.9	0.3152

23.2 Fair values of financial instruments

Since the majority of the Company's and subsidiaries financial instruments are short-term in nature or bear floating interest rates, their fair value is not expected to be materially different from the amounts presented in the balance sheets.

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

24. Subsequent event

On 29 May 2008, the Board of Directors' Meeting passed a resolution to propose to the Annual General Meeting of the shareholders to adopt a resolution to pay the following dividends from the operation for the year ended 31 March 2008 to the Company's shareholders.

(Unit: Baht)

	<u>Dividend paid</u>	<u>Dividend per share</u>
Interim dividend	22,400,000	0.07
Final dividend	22,400,000	0.07
	<u>44,800,000</u>	<u>0.14</u>

Interim dividend was paid in March 2008. Final dividend will be paid and recorded after it is approved by the Annual General Meeting of the Company's shareholders.

25. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 29 May 2008.

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