

# LOHAKIT

*In Quality, We Trust*

**Annual Report 2011** as at March 31,2012



[www.lohakit.co.th](http://www.lohakit.co.th)

Lohakit Metal Public Company Limited

# Content

	Page
Message from Chairman and Managing Director	02
Report of Director's Responsibilities Over the Financial Statement	03
Audit Committee's Report	04
General Information	05
Financial Highlight	06
Nature of Business	08
- Background	08
- Business Overview	09
- Revenue Structure	11
- Business Goals	12
Risk Factors	13
Capital Structure	18
- The Company's Securities	18
- Shareholders	18
- Dividend Policy	18
Management	19
- Management Structure	19
- The Nomination of Directors and Management	24
- Management's Remuneration	25
- Good Corporate Governance	25
- The Control of the Use of Internal Information	29
The Internal Control System	31
Related Transactions	33
Details of Directors and Executive Management	35
Management Discussion and Analysis	40
- Operating Performance	40
- Financial Status	43
- Cash Flows	45
Auditor's Report	47
Financial Statement	49
Location Map of the Company	85

# Message from the Chairman and the Managing Director

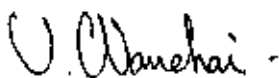
On behalf of the Management of Lohakit Metal Public Company Limited, we would like to express our deepest sympathy to those impacted from the natural catastrophes in 2011. These catastrophes negatively impact the country and the country's local economy greatly. This consequently affects industrial sectors, especially the automotive industry group, which is the key business of the Company. The impact is shown in the lowering production volume, comparing with last year. The Company is not at ease at this issue. The Company is aware of the issue of lowering production volume and has always been trying to resolving it.

The Company is aspiring to develop the business continually. In doing so, the Company has brought new technology and more efficient machines to manufacture products that precisely match the demand of customers. Additionally, the Company carefully manages the Company's risk by augmenting a plan to expand production into overseas and a target of increasing roles in the overseas market, particularly the country in the ASEAN. That is to correspond with the scheduled assembly in becoming the ASEAN Economic Community in 2015. The Company has already initiated the feasibility study in how to increase the Company's roles in the overseas market in order to increase sales volumes, revenues, and market share.

For the overall picture in the past 2011, the Company was impacted by the World and local economies since the beginning of the year. The consequence of Tsunami in Japan had caused impact on the Automotive Industry Group greatly. Even though the Company was not directly affected by the natural disaster, it received indirect impact. That is the Company could not manufacture and deliver products as planned. However, all the Company's employees together put forth the effort in fighting various obstacles as to secure the confidence in our Company. The Company also contributed assistances to both public and private sectors during the time of catastrophic flood in Thailand late 2011. Additionally, the Company offered assistance to the Company's employees who were affected by this catastrophic flood as well as donating money through the Stock Exchange of Thailand to help those who were affected by this catastrophic flood. The Company also donated money to help those who were affected by the Tsunami in Japan.

With experience in management, planning, and risk management of the Management team, the Company had managed the Company through this difficult year with good result. It can be seen in that the Company's operating result shows Net Profit for this year end, ending 31 March 2012, for the Company and subsidiaries of Baht 96.72 million, a decrease from last year Net Profit of Baht 42.39 million, or a decrease of 30.5 percent. With the Company's policy of adhering to create the maximum benefit to shareholders, the Company will pay out appropriate dividend as well.

In the name of the Company's Board of Director, Management, and employees; we would like to thank our shareholders, investors, clients, stakeholders both public and private sectors who have been given support and confidence in the Company. The Company believes that the coming years will be the years that the Company will develop and grow continually together with Thailand's economy which is still constantly growing. The Management and employee always exert great effort for the maximum benefit of our shareholders.



Mr. Wanchai Ampungart  
Chairman



Mr. Prasarn Akarapongpisak  
Managing Director


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

The financial statements of Lohakit Metal Public Company Limited and the subsidiaries were fairly presented in consolidated financial statement in compliance with the general accepted accounting principles and appropriate accounting policies in which during the year, the Company also adopted a number of revised and new accounting standards as issued by the Federation of Accounting Professions, and applied them in the preparation and presentation of its financial statements.

The reasonableness of the financial statements has been carefully considered in order to ensure the benefits in using financial statement in view of sufficient and accuracy and reasonableness of financial status and operating result to shareholders, investors and associated parties.

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

Based on the management structure and the internal control system as well as the report of the certified auditor, the board of directors believes that the financial reports of Lohakit Metal Public Company Limited and the subsidiaries as shown in the annual report for the year ended on March 31, 2012 have fairly reported the financial status, operating results and cash flow according to the all adopted general accepted accounting principles.



Mr. Wanchai Ampungart  
Chairman

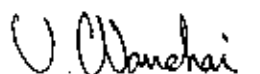
# Audit Committee's Report

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

During the year ended on March 31, 2012, the audit committee had 4 meetings in every quarter, together with internal auditor and the certified external auditor to clarify and follow up audit results and relevant issues, including also preparing the minutes for each meeting. The agendas discussed over the meetings were in compliance with the scope of authorities and responsibilities to the board of directors which can be summarized as follows:

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

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



Mr. Wanchai Ampungard  
Chairman of the audit committee

## General Information

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

Head office	: 66/1 Moo 6 Soi Suksawas 76, Suksawas Rd., Bangjak, Prapradang, Samutprakarn 10130, Telephone 0-24630-0158 Facsimile 0-2463-7299 Homepage <a href="http://www.lohakit.co.th">www.lohakit.co.th</a> , The registration number 0107548000315
The Company branch	: 889 Thai CC Tower, room no 167-169, 16 <sup>th</sup> floor, South Sathorn Road, Yannawa, Sathorn, Bangkok 10120, Telephone 0-2673-9559 Facsimile 0-2673-9577-8
Auto Metal Company Limited	: 700/650, Moo 1, Panthong subdistrict, (the subsidiary) Panthong district, Chonburi, Telephone 0-3821-0270-77 Facsimile 0-3821-0268-9
Alternative Stainless Company Limited	: 66/1 Moo 6, Soi Suksawas 76, Suksawas Road, (the subsidiary) 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 <sup>th</sup> floor, Lake Ratchada building, 193/136-137, Ratchadapisek Road, Klongtoey, Bangkok 10110, Telephone 0-2264-0777, Facsimile 0-2264-0789-90
Legal Advisor	: Seri, Manop and Doyle Company Limited 21 Suthisarn-Ratchadapisek Road, Samsennok, Huaykwang, Bangkok 10320, Telephone 0-2693-2036, Facsimile 0-2693-4189
Investor Relation officer	: 889 Thai CC Tower, room no 167-169, 16 <sup>th</sup> floor, South Sathorn Road, Yannawa, Sathorn, Bangkok 10120, Telephone 0-2673-9559 Ext. 211, Facsimile 0-2673-9577-8 E-mail : <a href="mailto:ird@lohakit.co.th">ird@lohakit.co.th</a>

---

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

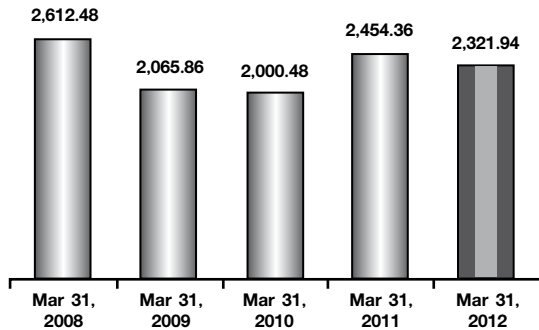
# Financial Highlight

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

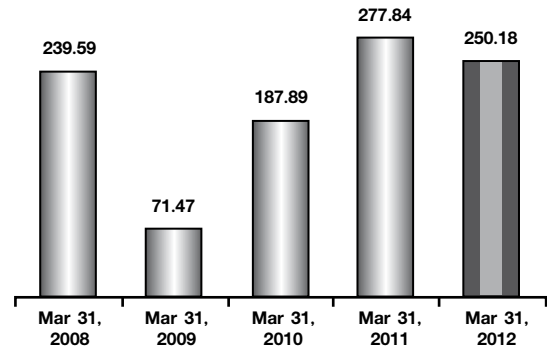
	For the year ended 31 <sup>st</sup> March				
	2008	2009	2010	2011	2012
<b>Profit and loss statement (Baht millions)</b>					
Total revenue	2,612.48	2,065.87	2,000.48	2,454.35	2,321.94
Revenue from the sales of good and services	2,571.01	2,036.96	1,970.41	2,415.00	2,287.87
Gross profit	239.59	71.47	187.89	277.84	250.18
Net profit provided by operating activities	174.44	(8.98)	122.72	196.65	166.24
Net profit	80.36	(52.93)	101.27	139.11	96.72
<b>Balance Sheet (Baht millions)</b>					
Total assets	1,602.02	1,203.03	1,386.20	1,493.00	1,522.84
Total liabilities	861.43	550.56	632.46	582.22	533.98
Total shareholders' equity	740.59	652.47	753.74	910.78	988.86
<b>Per ordinary share (Baht), at Par 1.00</b>					
Book Value per share (Baht)	2.31	2.04	2.36	2.85	3.09
Earning per share (Baht)	0.31	(0.17)	0.32	0.43	0.30
Dividend per share (Baht)	0.14	0.04	0.15	0.22	0.14
<b>Ratio Analysis</b>					
Gross profit margin (%)	9.32%	3.51%	9.54%	11.50%	10.94%
Net profit margin (%)	3.08%	-2.56%	5.06%	5.67%	4.17%
Return on equity (%)	12.36%	-7.60%	14.40%	16.71%	10.18%
Return on Assets (%)	4.96%	-3.77%	7.82%	9.66%	6.41%
Liquidity ratio (times)	1.47	1.49	1.63	1.98	2.27
Debt to equity ratio (times)	1.16	0.84	0.84	0.64	0.54

Consolidated Results of Fiscal years as of March 31, 2008 - March 31, 2012

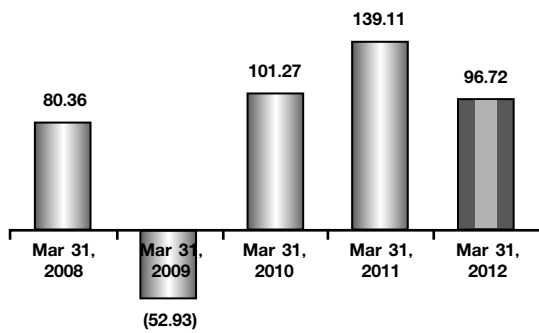
**Total Revenue (Baht Millions)**



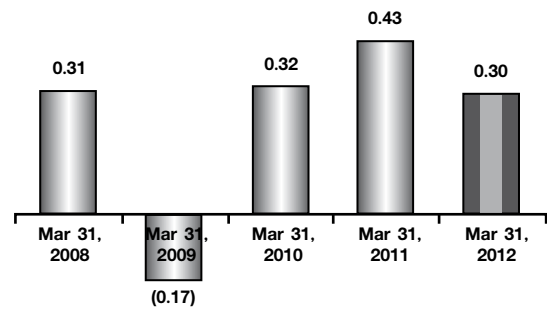
**Gross Profit (Baht Millions)**



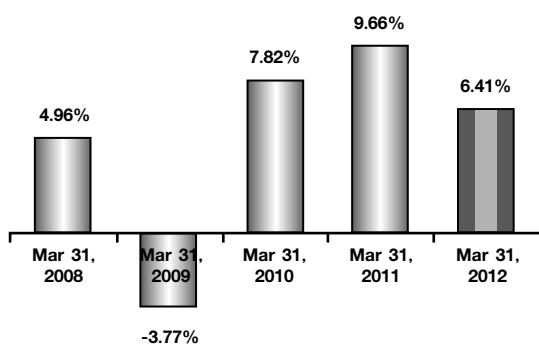
**Net Profit (loss) (Baht Millions)**



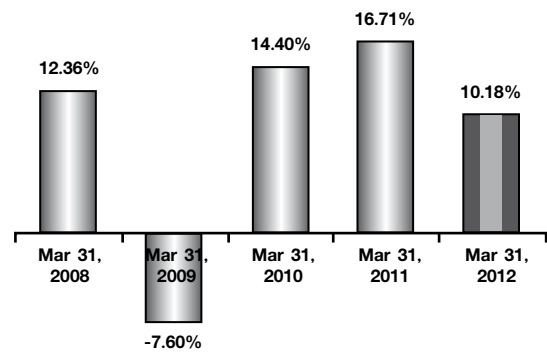
**Earning Per Share (Baht)**



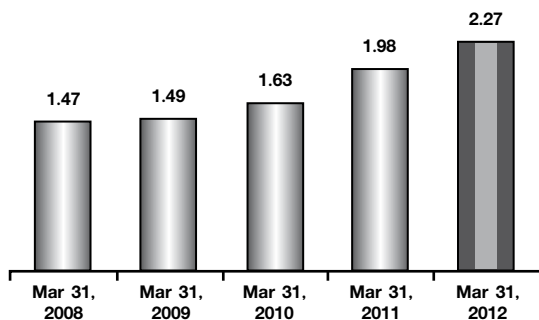
**Return On Assets (%)**



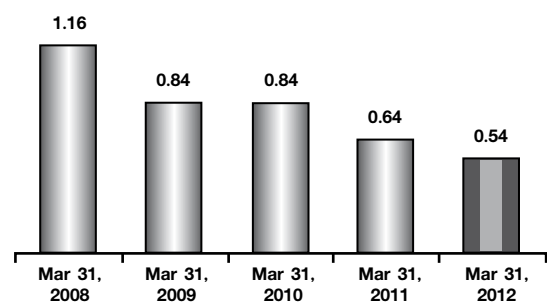
**Return On Equity (%)**



**Liquidity Ratio (Times)**



**Debt To Equity Ratio (Times)**





# Nature of Business

## Background

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

Subsequently on May 22, 1989, the Company entered into a joint venture with Tomen Corporation Company Limited, an affiliate of Tomen Group which engages in steel trading business. The Company increased its capital to Baht 39.22 million where Tomen Corporation Company then held 49percent of total revenue of the Company’s shares. The shareholding percentage of the Akarapongpisak family was diluted to 40.80percent of total revenue. The proceed of such capital increase was used to acquire assets such as land, machines and inventory from Lohakit Shearing Company Limited. , 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 80percent of total revenue and Mr. Nucha Wattanopas holding 20percent of total revenue. On January 2, 2003, the Company changed its name to Lohakit Steel Company Limited.

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

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

As of March, 31 2012 the Akrapongpisak family who is the Company’s major shareholder held 61.14 of the Company’s shares.

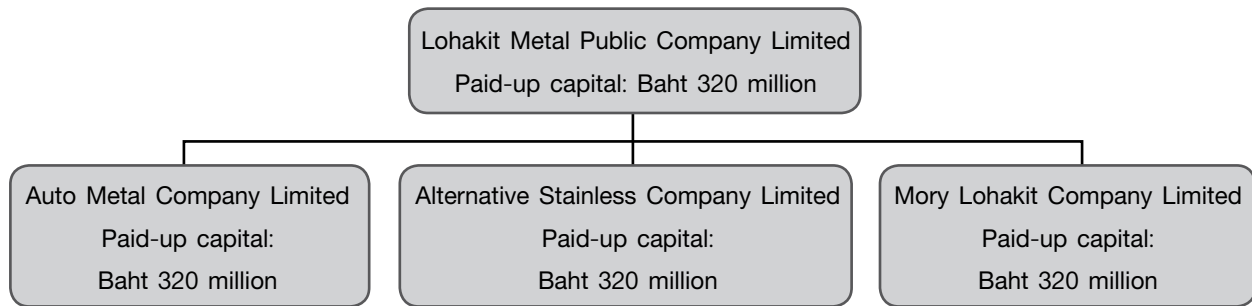
---

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

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

## Business Overview

The group of Lohakit Metal Public Company Limited as of March 31, 2012 can be shown as follows:



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

The businesses that the Company and its subsidiaries undertake include:

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

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

- (a) Auto Metal Company Limited engages in manufacturing and distributing stainless steel pipe for automotive usage including exhaust pipes from car and motorcycle. Auto Metal Company Limited was founded on October 14, 2004 with the paid-up capital of Baht 40 million. Currently Auto Metal Company Limited has a paid-up capital of Baht 240 million and the Company holds 59.99percent of total revenue of the paid-up capital and Mory Industrial Inc, hold 40.00percent of total revenue of the paid-up capital of Auto Metal Company Limited respectively.

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

The Company and its subsidiaries have 2 factories including

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

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

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

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

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

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

## Revenue Structure

The revenue structure of the Company and its subsidiaries during 2010 - 2012 can be shown as follows:

Revenue	Operated by	The Company's shareholding percentage (percent of total revenue)	2010 (01/04/09 - 31/03/10)		2011 (01/04/10 - 31/03/11)		2012 (01/04/11 - 31/03/12)	
			Million Baht	percent of total revenue	Million Baht	percent of total revenue	Million Baht	percent of total revenue
<b>By Type of Revenue</b>								
1. Revenue from sales								
1.1 Cold-rolled stainless steel sheet and coil of grades 430, 304,300, 316,409,436 and others	The Company	-	793.66	39.67	967.15	39.41	771.27	33.21
1.2 special grade stainless steel sheet and coil	D-Stainless Co., Ltd. The Company	99.93 -	204.48	10.22	230.56	9.39	213.32	9.18
1.3 Special grade stainless steel - HDD project	The Company	-	109.12	5.45	73.62	3.00	65.67	2.82
1.4 Stainless steel tube (round and rectangular) of grades 304, 316L	The Company	-	192.78	9.64	217.41	8.86	218.02	9.38
1.5 Special grade stainless steel tube	D-Stainless Co., Ltd. The Company	99.93 -	47.65	2.38	33.17	1.35	22.13	0.96
1.6 stainless steel pipe for exhaust pipes for car and motorcycle of grades 409 and 436	Auto Metal Co., Ltd. The Company	59.99* -	394.12	19.70	574.77	23.42	643.08	27.70
1.7 Galvanized steel coil and sheet	The Company	-	150.23	7.51	219.50	8.94	232.09	10.00
1.8 Electro-galvanized steel coil and sheet	The Company	-	68.82	3.44	91.68	3.74	90.96	3.92
1.9 Aluminium coil and sheet	The Company	-	-	-	-	-	22.67	0.98
2. Revenue from service	The Company	-	9.54	0.48	7.14	0.29	8.66	0.38
<b>Total sales and service</b>	<b>The Company and its subsidiaries</b>	<b>59.99* and 99.93</b>	<b>1,970.41</b>	<b>98.50</b>	<b>2,415.00</b>	<b>98.40</b>	<b>2,287.87</b>	<b>98.53</b>
3. Gain from exchange rate	The Company and its subsidiaries	59.99* and 99.93	3.78	0.19	2.36	0.10	-	-
4. Other Income**	The Company and its subsidiaries	59.99* and 99.93	26.29	1.31	36.99	1.50	34.07	1.47
<b>Total Revenue</b>	<b>The Company and its subsidiaries</b>	<b>59.99* and 99.93</b>	<b>2,000.48</b>	<b>100.00</b>	<b>2,454.35</b>	<b>100.00</b>	<b>2,321.94</b>	<b>100.00</b>
<b>By Source of Revenue</b>								
(a) Revenue from domestic sales	The Company and its subsidiaries	59.99* and 99.93	1,907.59	96.51	2,349.92	97.31	2,236.00	96.29
(b) Revenue from international sales	The Company and its subsidiaries	59.99* and 99.93	62.82	3.19	65.08	2.69	51.87	3.71
<b>Total Revenue</b>	<b>The Company and its subsidiaries</b>	<b>59.99* and 99.93</b>	<b>1,970.41</b>	<b>100.00</b>	<b>2,415.00</b>	<b>100.00</b>	<b>2,287.87</b>	<b>100.00</b>

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

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

Considering the revenue structure of the company and its subsidiaries, in present accounting year, the company has sales from stainless steel grade 430,304,300,316,409,436 and others of 33.21 percent of total revenue closer to the previous year of 39.41 percent of total revenue. The majority of sale in this group came from stainless grade 304 and 430 which its volume decreases following the industrial supply chains problems by the impacts of Tsunami and Mega flooding during the year.

Revenue of special grade stainless steel slightly decreased to 9.18 percent of total revenue in 2012 from the levels of 10.22 percent of total revenue and 9.39 percent of total revenue in 2010 and 2011 respectively. The decreased was resulted from incidents as mentioned before.

Revenue of pipe sales of grade stainless steel 304 and 316L stood at 9.38 percent of total revenue in 2012 from the levels of 9.64 percent of total revenue and 8.86 percent of total revenue in 2010 and 2011 respectively.

Revenue of pipe sales of special grade stainless steel stand at 0.96 percent of total revenue in 2012 from the levels of 2.38 percent of total revenue and 1.35 percent of total revenue in 2010 and 2011 respectively.

In part of special grade product for HDD project, beside the impacts of market price and mega flooding also made the manufacturer unable to produce as usual, decreasing the level to 2.82 percent of total revenue in 2012 from their levels at 5.45 percent of total revenue and 3.00 percent of total revenue in 2010 and 2011 respectively.

Revenue from sales in vehicle pipes of cars and motorcycle share in part by 27.70 percent in 2012, increased from 23.42 percent and 19.70 percent of total revenue in 2011 and 2010. The major sales came from Auto Metal Co.,Ltd. which gain its sales from the expanding of automotive industry even with impacts of Tsunami and Meta flooding. Moreover, the higher in revenue was also the results by marketing and presenting quality exhausted pipes and got well response from the market.

Galvanized steel (GI) and Electro-galvanized steel (EG) coil and sheets has their constant growth in sales in present accounting year with sharing 10.00 percent and 3.92 percent respectively. Both products had their higher proportion in sale than previous year due to the declining of stainless steel proportion in total revenue.

During 2012, company start to sale aluminium coils and sheets in the first year. Its level was at 0.98 percent of total revenue in 2012.

Revenue of the company and its subsidiary mostly came from domestic sales. By accounting year 2010 2011 and 2012, company and its subsidiary had its percentage to total revenue by 96.51 percent and 97.31 percent and 96.29 percent respectively. However, the company and its subsidiary have policy in expanding to oversea market to increase export revenue especially exhausted pipe as future sale channel.

## Business Goals

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

## Risk Factors

### Economic risks to global and Thailand in 2011 and its trend in 2012

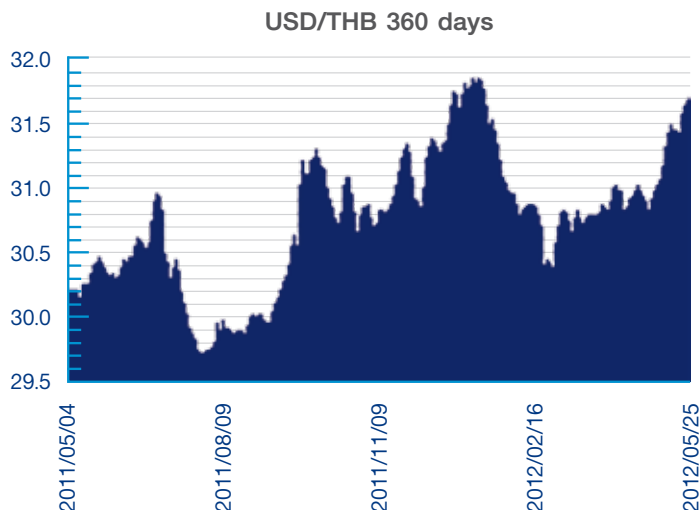
Public debt problem in EU, Slowing down of economy in USA and China have impacted to the fragile and weak recovery of global economy. There were still no solutions for solving fundamental problems in countries with these problems. Thus, these countries who are the main customers and money market of the global consumption try to control their spending and that may finally impact the global production sectors. Moreover, fuel price as main risk factor has its rising trend in price and that is the negative impact to expanding.

Thai economy in 2011 expanded at 0.1% from 2010, resulted by the negative impacts of Tsunami and Mega flooding incidents and such incidents widely damage every economic sectors and production line in also all industries especially high impact in Automotive, Home appliance and Hard disk drive which are the main industries of Thailand. However, economic trend in 2012 is being expected for well expanding by new investments, domestic spending in restoring and preventing damages from flooding and mega projects in infrastructure. However, higher fuel price, minimum wage policy and labor insufficient remain the risk factors to Thai economy in 2012.

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

### Risk from foreign exchange rate

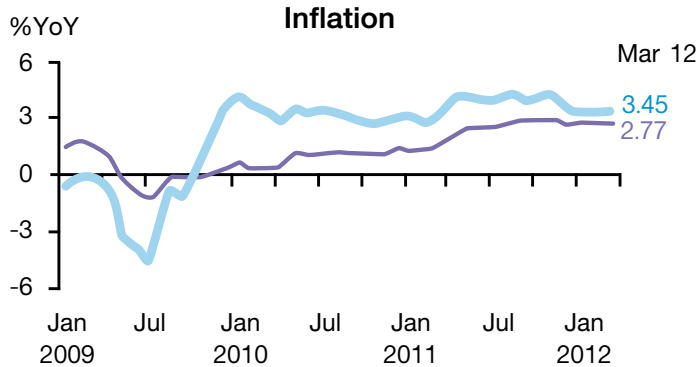
In 2011, the fluctuation in money and capital markets was higher from economy problems and resulting in fund movement between countries as investor try to avoid the risks and switching between risk and safe assets.



However, the stronger Baht move in the same direction with other Asian countries who are also the manufacturer and exporter of Automotive and Home appliance. The impacts of currency to export situation remained in limit and still in ability to manage risks and competition. Moreover, the company has continue, closely monitored risks and impacts and do forward hedging of currency exchange over material imports.

## Risk from interest rate

Risk of inflation lag the interest rate in up-trend situation in 2011 before declining to stimulate the economy recovery from Mega flooding damages. However, 2012 inflation may become back to upward trend from economic stimulate factors like minimum wage policy and mega projects. Thus interest rate may be higher to curb inflation.



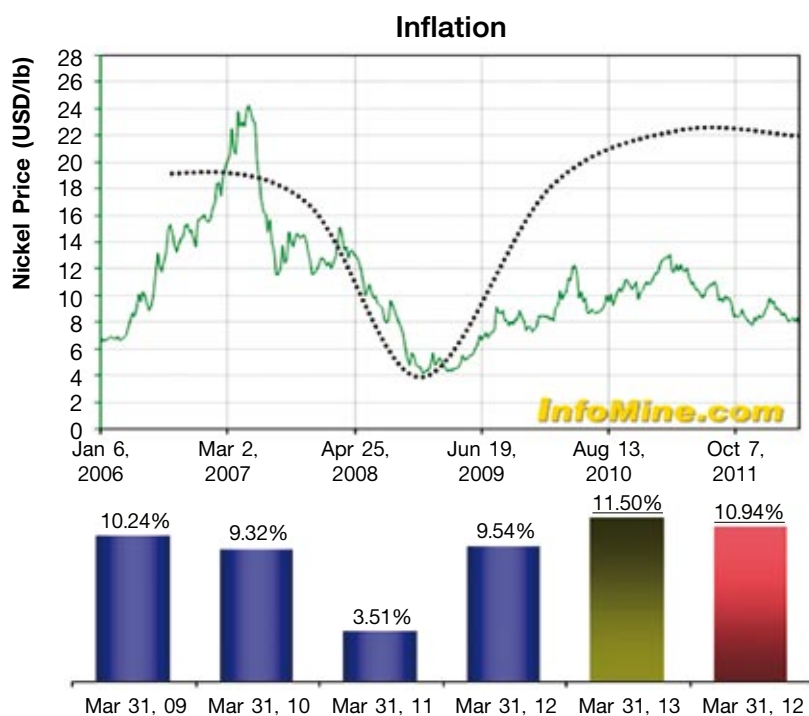
Source : commerce department

As of 31 Mar 2012, the Company and its subsidiary had outstanding bank overdraft and short term loan balance amounting to Baht 266.17 million. Therefore, if interest rates move up in the future, it may negatively impact the operating performance of the Company and its subsidiary.

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

## Risk from the price volatility of cold rolled stainless steel

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





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

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

The cold rolled stainless steel coil is the company's major raw material. During the accounting years of 2011 and 2012, the company ordered the cold rolled stainless steel coil from major local producers, Posco-Thainox PLC, which accounted for 34.38% and 35.15% of the total purchasing amount. Since Posco-Thainox PLC, is the only local producers of the cold rolled stainless steel and the transportation from abroad is time-consuming, there is a risk that the company may face a raw material shortage if such major local producers fail to deliver the raw materials on schedule and the company cannot acquire the raw materials from any other sources to fulfill the customer demand.

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

#### Risk from reliance on producer of special grade stainless steel

Alternative Stainless Co.,Ltd. (Formerly D-Stainless Co. Ltd) a subsidiary, is a distributor of special grade stainless steel, which is procured by the Company. Currently, such product is purchased from Nippon Metal Industry Co., Ltd. of Japan, whose sole trading partners are the Company and Alternative Stainless Co., Ltd. During the accounting years of 2011 and 2012, the Company's transaction size with Nippon Metal Industry Co., Ltd. accounted for 14.72% and 20.09% of the total purchase amounts. Therefore, since the company cannot acquire such raw materials from any other sources, there is a risk that the current supplier fails to deliver them on schedule and the company may not be able to fulfill the customers' order.

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

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

#### Risk from reliance on the producer of the electro-galvanized steel

Present, the Company purchases the electro-galvanized steel from one supplier only, that is Bangkok Steel Industry Plc. During the accounting years of 2011 and 2012, the purchase of such product accounted for 10.41% and 15.22% of the total purchase amount. The electro galvanized steel is processed according to the sizes demanded by the customers. The Company faces the risk from relying on a single supplier and hence the risk of shortages in case such supplier cannot make a punctual delivery. Since the company cannot acquire such raw materials from any other sources, the company may not be able to fulfill the customers' order. The Company has been purchasing the electro-galvanized steel exclusively from Bangkok Steel Industry Plc. due to its high quality and thus, has enabled the Company to process them into different sizes as per the customer demand.



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

### 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 2011 and 2012, the revenues from domestic sale of the Company and its subsidiaries stood at Baht 2,415 million, or 98.41% of the total revenue, and Baht 2,288 million, or 98.53% of the total revenue respectively. Consequently, there is a risk from relocation of the customer's production hub to other countries and that shall affect the revenues of the Company and its subsidiaries.

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

### Risk from the entry of new competitors

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

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

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

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

### Risk from inventory management

The Company and its subsidiary have been operating the main business over the full conversion of stainless products. Main business consists of procurement, conversion, production and distribution of stainless products. The major assets are inventories, as of 31 March 2011, the outstanding inventory cost was Baht 525.20 million or accounting for 35.28% of total assets cost. As of 31 March 2012, the outstanding inventory cost was baht 553.95 million or accounting for 36.37% of total assets cost. Due to its sizable elements of working capital, the company and its subsidiary have the risk of inventory turnover which can effect to the liquidity and financial status.

However, The Company and its subsidiary have been continually developing and adopting the supply chain management in controlling the proper procurement of raw material, do the production and delivering at the customer requirement and schedule. The system helps the Company and its subsidiary in managing costs of doing business and effective inventory management. Both inventory turnover rate of finish goods as of 31 March 2011 and 2012 were at 34 days and 40 days respectively. As a result of the effective inventory management, the Company and its subsidiary never faced with liquidity problems and have the proper material cost.

# Capital Structure

## The Company's Securities

As of March 31, 2012 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 March 31, 2012

Names	As of March 31, 2012	
	Number of shares	Percentage (%)
1. Mr. Kasem Akarapongpisak and Mrs. Pranee Sae Koo*	93,282,180	29.15
2. Mr. Prasarn Akarapongpisak	44,046,100	13.76
3. Mr. Prasert Akarapongpisak	36,318,500	11.35
4. Mr. Vittawat Akarapongpisak	16,000,200	5.0
5. Ms. Wassana Akarapongpisak	6,000,020	1.88
The Akarapongpisak Family	195,647,000	61.14
6. Mr. Nucha Wattanopas	24,190,900	7.56
7. Mr. Manwat Choksuwatsakun	7,500,000	2.34
8. Mr. Anan Rawisaengsun	5,400,000	1.69
9. Mr. Kuson Arunratsakun	4,256,900	1.33
10. Mrs.Thitima Iamsakun	4,184,000	1.30
Total	241,178,800	75.36

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 93,282,180 shares and Mrs. Pranee Sae Koo holds 200 shares.

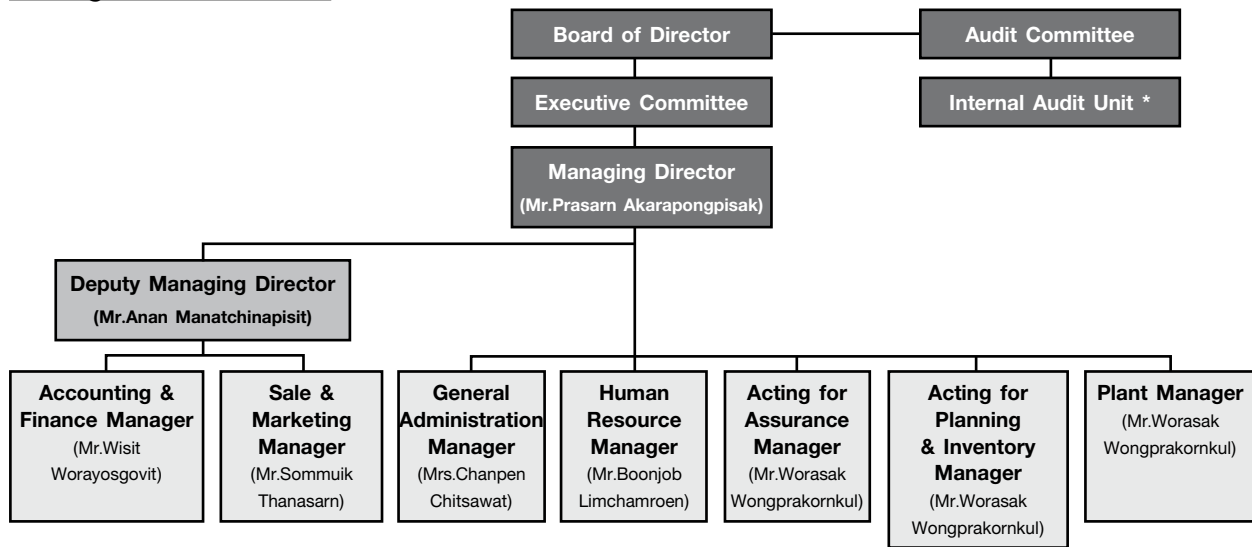
## Dividend Policy

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

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

# Management

## Management Structure



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

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

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

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

### The Authorised Director

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

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

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

- (1) To convene the annual ordinary general shareholder meeting within 4 months after the end of the accounting period.
- (2) To convene the board of director's meeting at least every 3 month.
- (3) To prepare a balance sheet and a profit and loss statement of the Company as of the end of the accounting period and to propose such reports which are audited by the external auditor to the shareholder's meeting for their consideration and approval.

- (4) The board of directors shall authorize one or many of director(s) or any other person to perform the duties on behalf of the board of directors under the board of directors's supervision or delegate such persons to have authorities and over the period the board of directors deems appropriate where the board of directors can revoke or alter such delegation of authorities as they deem appropriate.

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

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

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

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

- (b) The Executive Committee consist 3 members including:

- |                               |                    |
|-------------------------------|--------------------|
| 1. Mr. Prasarn Akarapongpisak | Executive Chairman |
| 2. Mr. Somnuik Thanasarn      | Executive Director |
| 3. Mr. Anan Manatchinapisit   | Executive Director |

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

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

#### Scope of Authorities, duties and responsibilities of the Executive Committee

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

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

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

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

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

#### Scope of Authorities, Duties and Responsibilities of the Managing Director

- (1) To govern and manage the day-to-day operation and administration of the Company.
- (2) To perform and operate the Company as per the policies, business plans and budget approved by the board of directors and/or the Executive Committee.
- (3) To approve the normal business transaction in the amount of not exceeding Baht 100 million per transaction or not exceeding Baht 250 million per month.

- (4) To approve the investment expenditure (including the maintenance of machine and equipment) that is not included in the annual budget in the amount not exceeding Baht 5 million.
- (5) To be authorised to manage the Company under the objectives, article of association, policies, procedures, regulations, orders and/or the resolutions of the shareholders, the board of directors and the Executive Committee.

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

- (d) The audit committee consists of 3 members including:
1. Mr. Wanchai Umpungart                      Chairman of the audit committee
  2. Mr. Teera Na Wangkanai                      Member of the audit committee
  3. Mr. Lert Nitheranont                      Member of the audit committee

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

The office period of the audit committee

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

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

Scope of Authorities, Duties and Responsibilities of the audit committee

- (1) To review and ensure that the Company's financial reports are accurate and sufficiently disclosed where the audit committee shall cooperate with the external auditor and the management who is responsible for the preparation of the quarter and annual financial reports. The audit committee may request the external auditor to review or audit any transactions as appropriate and necessary.
- (2) To review and ensure that the Company's internal control system and internal audit system are appropriate and efficient, independent in auditing. To give the resolution in selecting, rotating and dismissing the internal audit chief or the audit organization that responsible for internal audit.
- (3) To review and ensure that the Company's operation is complied with the Securities and Stock Exchange laws, the rules and regulations of the Stock Exchange and other relevant laws.
- (4) To select and nominate the Company's external auditor and to consider the remuneration of such auditor by taking into consideration their reputation, capability and workload of such office, the experiences of the auditor who is responsible for the Company's accounting audit as well as join the meeting with external auditor at least once a year.
- (5) To consider the disclosure of the Company with regard to the connected transactions or any transactions that may lead to the conflict of interest and to ensure that such disclosure is sufficient and complete.

- (6) To perform any other duties delegated by the board of directors and agreed to do so by the audit committee such as to review the financial and risk management policies, to review the management compliance to the business ethics and to review the major reports required to be disclosed to public i.e. the management discussion and analysis.
- (7) To prepare the report with regard to the activities of the audit committee and disclose such report which is signed by chairman of the audit committee in the Company's annual report. The report must retain at least the following information.
- (a) The opinion in regarding to the correctness, completeness and reasonably reliable of the financial statements of the Company.
  - (b) The opinions in regarding to the sufficient internal control in placed
  - (c) The opinions in regarding to the company's compliance to the Securities and Stock Exchange laws or the rules and regulations from stock exchange of Thailand and other relevant laws.
  - (d) The opinions for the appropriateness of external auditor
  - (e) The opinions for the connected transactions that may have the conflict of interest.
  - (f) The numbers of audit committee meeting and the attendance of individual audit committee director during the year.
  - (g) The general opinions or notices that audit committee obtain during the audit performing according to the charter.
  - (h) Disclosure under the assignment from board of director of any information deemed necessary to be known by shareholders or investors.
- (8) To report the audit committee's activities and results to the board of directors at least once every quarter.
- (9) To report to the board of director of the finding or suspect of any transactions that may have the significant impacts to the financial status and operating performance of the Company such as conflict of interest, fraud or dishonest practices, unusual or weakness in internal controls, breach against Securities and Stock Exchange laws or the rules and regulations from stock exchange of Thailand and other relevant laws to the normal business of the Company.
- (e) The 3 independent directors include
- |                           |                      |
|---------------------------|----------------------|
| 1. Mr. Wanchai Umpungart  | Independent director |
| 2. Mr. Teera Na Wangkanai | Independent director |
| 3. Mr. Lert Nitheranont   | Independent director |
- (f) Management
- The Company's management includes
- |                                |  |
|--------------------------------|--|
| 1. Mr. Prasarn Akarapongpisak  | Managing Director  |
| 2. Mr. Anan Manatchinapisit    | Deputy Managing Director   |
| 3. Mr. Somnuik Thanasarn       | Sales and Marketing Manager  |
| 4. Mrs. Chanpen Chitsawat      | General Administrative Manager   |
| 6. Mr. Wisit Worayosgovit      | Accounting and Finance Manager   |
| 8. Mr. Boonjob Limchamroen     | Human Resource Manager   |
| 7. Mr. Worasak Wongprakornkul* | Plant Manager, Acting for Assurance Manager<br>and Acting for Planning & Inventory Manager |

Remark : \* Started work February 1, 2012



## The Nomination of directors and management

### (a) The nomination of directors

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

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

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

### (b) The nomination of independent directors and audit committee

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

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

- (6) Being able to perform duties, provide opinion on and report results of the assignments delegated by the board of directors independently. Not being under the control of management, major shareholder and their related parties.
- (c) The numbers of director representing the major shareholder.  
There are 3 directors who represent the Akrapongpisak family including Mr. Prasarn Akrapongpisak Mr. Anan Manaschinapisith and Mr. Somnuik Tanasarn.

### Management's Remuneration

(a) Cash Remuneration

- Director's Remuneration

Directors	2011 (01/04/10 - 31/03/11)		2012 (01/04/11 - 31/03/12)	
	Meeting Allowance (Baht)	Bonus (Baht)	Meeting Allowance (Baht)	Bonus (Baht)
1. Mr. Wanchai Umpungart	180,000	-	160,000	-
2. Mr. Prasarn Akrapongpisak	-	-	-	-
3. Mr. Anan Manatchinapisit	-	-	-	-
5. Mr. Somnuik Thanasarn	-	-	-	-
6. Mr. Anurut Vongvanij	50,000	-	30,000	-
7. Mr. Teera Na Wangkanai	60,000	-	60,000	-
8. Mr. Lert Nitheranont	90,000	-	60,000	-
Total	380,000	-	310,000	-

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

Remuneration	2011 (01/04/10 - 31/03/11)		2012 (01/04/11 - 31/03/12)	
	Number of Person	Amount (Baht)	Number of Person*	Amount (Baht)
Salary	6	15,809,538	7	18,702,430
Bonus	6	2,464,350	7	2,573,250
Other Remuneration (Communication expenses)	1	18,000	1	18,000
Total	6	18,291,888	7	21,293,680

(b) Other Cash Remuneration

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

### Good Corporate Governance

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

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

## **(1) Shareholder's Rights**

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

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

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

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

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

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

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

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

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

- (a) The Company has prevented the use of internal information by specifying that the departments which are accessible to such information must keep the information confidential to other irrelevant departments or parties.

- (b) The management who has accessed the Company's financial information must not use such information for their own benefits before the disclosure of such information to public. The management is prohibited to trade the Company's securities within one month before the public disclosure of the Company's financial statements.
- (c) The Company shall guide the management to report the change of their shareholdings to the SEC office as per clause 59 of the Securities and Exchange Act B.E. 2535. In addition, the management and employees who have accessed to the internal information are prohibited to share such information to others or irrelevant parties. They are also prohibited to trade the Company's securities within 30 days before the public disclosure of the financial statements.

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

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

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

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

The Company has enhanced the efficient internal control and audit systems for both the management and operational levels by issuing the statement of duties and authorities of the management and the employees. The duties of execution, control and evaluate are segregated for the check and balance of power purpose. Moreover, the Company has undertaken the internal control over the financial system with the financial report system for the responsible management. The Company has the internal control system audited where on May 20, 2011 the Company appointed A.M.T. Services Office Limited as the Company's internal auditor for year 2011 (April 1, 2011 - March 31, 2012). The auditing shall emphasize on the internal control system and the analysis of the system risks. The summary of the auditing is as follow:

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

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

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

**(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 2010 and 2011, the details of the board of director's meeting are as follows:

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

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

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

Investor's Relation: The board of directors shall assign a person to be responsible for the information disclosure of the Company that is accurate, timely and transparently. In the near future, the

board of directors shall consider to set up the Investor Relation department to be responsible to communicate with the institutional investors, shareholders and securities analysts.

The board of directors has emphasized the importance of the disclosure that is accurate, transparent and accessible of both financial reports and other information. Investor Relations Officer, has been assigned to be responsible to communicate with the institutional investors, shareholders and securities analysts. The general investors are able to request for the Company's information through Telephone: 0-2673-9559 Ext. 211 or E-mail : ird@lohakit.co.th

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

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

The balance of power of non-executive directors

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

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

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

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

#### **The remuneration of directors and management**

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

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

Sub-Committee

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

#### **The Control of the use of internal information**

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

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

- (1) The directors, management and their spouses or minor child are prohibited to use the internal information to trade or transfer the Company's securities before the public disclosure of such

information especially 30 days before the disclosure of the Company's financial statement. In addition, after the disclosure of any information, those specified persons are also prohibited to trade the Company's securities until the public has sufficient period of time to analyst such information (within 7 days after the disclosure).

- (2) The directors and management who are responsible to report the shareholding of them together with their spouses and minor child are educated with the shareholding report procedure in case that any of the directors, management, their spouses or their minor child have purchased, sold, transferred or received the Company's securities as per the regulation of the SEC office, Sor. Jor. 14/2540, Re, The preparation and disclosure of securities holding report and the penalty as per the Securities and Exchange Act B.E. 2535.

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

### **Personels**

- (a) Number of personnel as of March 31, 2011 and March 31, 2012 consist of 215 person and 200 person dividing into the following :

Department	2011	2012
Purchase	6	7
Finance/MIS/Audit	9	9
Sales & Marketing	27	25
Administrative	4	2
Human resource	6	5
Quality assurance	17	19
Planning/Inventory/Logistics	58	56
Production	88	77
Total	215	200

- (b) Labor dispute in past three years (31 March 2010 - 31 March 2012)

- None

- (c) Remunerations to non-executive personel

Remunerations	2554 (1 April 2010 - 31 March 2011)	2555 (1 April 2011 - 31 March 2012)
Salary/wages	37,552,016	38,821,871
Bonus	2,699,980	2,506,695
Other benefits	5,842,637	5,311,608
Total	46,094,633	46,640,174
No. of personel	209	193

- (d) Personel development policy

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

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

# The Internal Control System

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

The board of director's meeting No.2/2012 dated May 24, 2012 which 3 independent directors and the audit committee were present, has evaluated the internal control system of the Company's 5 aspects including the organization and environment, the risk management, the control of the management's operation, the information and communication system and the monitoring system. The board of directors deemed that the Company has sufficient internal control system for the undertaking of related transactions with the major shareholders, directors, management and their related parties. The board of directors also deemed that the internal control systems for other aspects are sufficient as follows:

### 1. The Organization and environment

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

### 2. Risk Management

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

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

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

### 4. The information and communication systems

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



5. The monitoring system

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

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

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

After auditing the Company's financial statements for the period ended on March 31, 2012, the external auditor studied and evaluated the efficiency of the internal control system of the Company's accounting system and found that the internal control system of the Company's accounting system is sufficient in good level.

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

A.M.T Services Office Limited has been appointed as the Company's internal auditor where the results of the internal control assessment in corporate level were presented to the audit committee's meeting No. 2/2012 dated May 24, 2012. The evaluation of the internal control systems of the organization and environment, the risk management, the control of management's operation, the information and communication system and the monitoring system found that the Company's system is in the good level.

In addition, internal auditor had audits over company internal controls over the activities and presented the internal audit report to the audit committee every quarter according to quarterly internal audit plans for the year 2011 and found that the audit result according to the audit plans showed the proper and sufficient internal controls.

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

The audit committee's meeting No. 2/2012 dated May 24, 2012 considered and acknowledged the reports of the internal auditor and the results of the internal auditing as per the 2011 plan (April 1, 2011 - March 31, 2012) of the major activities which found that the Company has sufficient and appropriate internal control systems of such activities. The audit committee deemed that the Company has sufficient internal control systems.

## Related Transactions

**1 Summary of related transactions of the Company, the subsidiary, related companies and other parties who may have conflicts of interest with the Company for the accounting period of 2011, ended on March 31, 2012.**

Related Parties	Relationship	Details of Transaction	Amount (million baht)	Opinion of the Audit Committee
			01/04/11 - 31/3/12	
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 61.14% of Lohakit Metal Plc. as of March 31, 2012 and 100.00% of NSCM as of June 8, 2011.</p>	<p>LHK Sold its product to NSCM.</p> <p>Subsequently on January 2, 2007, LHK appointed NSCM as the Company's dealer to sell, market and promote the products under the Company's name. Such dealer contract valids for 3 years from January 2, 2012 to January 1, 2013. The contract states that the dealer's fee shall be equal to 2% of the monthly revenue where the fee shall be paid after the Company has received the payment from the customers</p> <p>The contract can be renewed on a yearly basis upon the discretion of LHK. The contract shall be automatically renewed for the period of 1 year in case that there's no action taken after the contract has expired.</p> <ul style="list-style-type: none"> <li>- Revenue</li> <li>- Account receivables</li> <li>- Commission fee</li> <li>- Accrued commission</li> </ul>	<p>56.74</p> <p>5.06</p> <p>0.20</p> <p>0.03</p>	<p>The selling price of the transaction was in line with the normal business practice where the price was relatively close to the price quoted to the major customers of the Company. The dealer's fee of 2% is in line with to the dealer's fee that the Company agreed to pay to international dealers ranging from 1.5% to 2% of revenue.</p>
2. Mr.Prasarn Akarapongpisak	<p>Mr. Prasarn Akarapongpisak serves as director, Managing Director and authorized director of the Company.</p> <p>Mr. Prasarn Akarapongpisak holds 13.76 % of the Company (information as of March 31, 2012)</p>			

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

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

In addition, the audit committee found that during the period ended on March 31, 2012, none of the customers of NSCM has ever been the customers of the Company.

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

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

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

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

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

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

## Details of Directors and Executive Management

No.	Name Position	Age (Year)	Educational Background	Share holding In LHK (As of March 31, 2012)	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	64 years	- MBA, Sasin Graduate Institute of Business Administration of Chulalongkorn University - BA Accounting, Chulalongkorn University - Director Accreditation Program DAP 35/200 on April 1, 2005	-	-	2005 - Present 2002 - Present 2005 - Present 2006 - 2011 2007 - Present 2004 - 2007 2008 - 2009	- Chairman of the Board of Directors, Independent Director and Chairman of the Audit Committee - Independent Director and Audit Committee - Independent Director and Chairman of the Audit Committee - Director - Independent Director and Member of Audit Committee - Chairman of Executive Committee - Director and Member of Audit Committee	- Lohakit Metal Public Company Limited / Procuring stainless steel coils products - Muramoto Electron (Thailand) Plc. / Manufacturer and exporter electronic parts - Sahapattana Inter Holding Plc. / Investment Business - Marketing Organization of Farmers - Thanulux Public Company Limited / Manufacturer clothes and leather accessories - Thai Herbal Products Co., Ltd. / Manufacturer and distributor Thai Herbal Products - Metropolitan Electricity Authority
2.	Mr. Prasarn Akarongpisak* Director, Chairman of Executive Committee and Managing Director	53 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	13.76 %	-	1989 - Present 2001 - Present 2005 - Present 2002 - Present 2004 - Present	- Director, Chairman of Executive Committee and Managing Director - Director - Director - Director - Director	- Lohakit Metal Public Company Limited / Procuring stainless steel coils products - Zoom Room Co., Ltd. / Organize Business - Alternative Stainless Co., Ltd. / Distributor Special grade stainless (D-Stainless) - Truemind & Partners Co., Ltd. / Business Consultant - Auto Metal Co., Ltd. / Manufacturer and Distributor Automotive Pipes

## Details of Directors and Executive Management

No.	Name Position	Age (Year)	Educational Background	Share holding In LHK (As of March 31, 2012)	Relation between the Director Member	Work Experience for the last 5 years		
						Period	Job Title	Company Name/Type of Business
3.	Mr. Anan Manatchinapisit* Director, Member of Executive Committee, Deputy Managing Director	49 years	- MAcc. Chulalongkorn University - BA Accounting, Chulalongkorn University - Director Certification Program DCP 92/2007	-	-	2005-Present 2008 - Present 2008 - Present 2000 - 2005	- Director, Member of Executive Committee, Deputy Managing Director - Director - Director - Financial Director	- Lohakit Metal Public Company Limited / Procuring stainless steel coils products - Auto Metal Co., Ltd. / Manufacturer and Distributor Automotive Pipes - Alternative Stainless Co., Ltd. / Distributor special grade stainless steel products - Schneider ( Thailand ) Co., Ltd. / Manufacturer electrical distribution and automation control equipment utilizing
4.	Mr. Sommuik Thanasam* Director, Member of Executive Committee and Sales & Marketing Manager	47 years	- Bachelor of Economics Thammasat University - Director Certification Program DCP 106/2008	-	-	1999 - Present 2008 - Present 2008 - Present 1999 - Present	- Director, Member of Executive Committee - Director - Director - Sales & Marketing Manager	- Lohakit Metal Public Company Limited / Procuring stainless steel coils products - Auto Metal Co., Ltd. / Manufacturer and Distributor Automotive Pipes - Alternative Stainless Co., Ltd. / Distributor special grade stainless steel products - Lohakit Metal Public Company Limited / Procuring stainless steel coils products
5.	Mr. Anurut Vongvanij Director	50 years	- MBA, Sasin Graduate Institute of Business Administration of Chulalongkorn University - BA. in Economics and Political Science, Hawaii University, Hawaii, U.S.A.	-	-	2005 - Present 1996 - Present 2004 - Present 1996 - Present 2008 - Present	- Director - President - President - President - President	- Lohakit Metal Public Company Limited / Procuring stainless steel coils products - The British Dispensary(L.P.) Co., Ltd. / Manufacturer Perfume, Cosmetic and Pharmacy - Vongvanij Holding Co., Ltd. / Investment Business - The British Dispensary Co., Ltd. / Distributor Perfume, Cosmetic and Pharmacy - Pharmacosmet Public Company Limited / Distributor Body Care products and Cosmetic

Remark : \* The Company's authorized directors

## Details of Directors and Executive Management

No.	Name Position	Age (Year)	Educational Background	Share holding in LHK (As of March 31, 2012)	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	55 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	-	-	<ul style="list-style-type: none"> <li>- 2005 - Present - Director, Independent Director and Member of Audit Committee</li> <li>- 2003 - Present - Director</li> <li>- 1987 - Present - Director</li> <li>- 1994 - Present - Director</li> <li>- 1998 - Present - Director</li> <li>- 1992 - Present - Director</li> <li>- 1992 - Present - Director</li> <li>- 1992 - Present - Director</li> <li>- 1987 - Present - Director</li> <li>- Present - Director</li> <li>- 1988 - Present - Director</li> <li>- 1991 - Present - Director</li> <li>- 1992 - Present - Director</li> <li>- 1992 - 2008 - Director</li> <li>- 1987 - Present - Director</li> <li>- Present - Director</li> </ul>	<ul style="list-style-type: none"> <li>- Lohakit Metal Public Company Limited / Procuring stainless steel coils products</li> <li>- Estima Consulting Co., Ltd. / Dealers of wines, spirits, liquor, alcoholic, beer etc.</li> <li>- Sugar Industry Trading Co., Ltd./ Exporter Sugar</li> <li>- Credence Co.,Ltd. / Wholesale Sugar</li> <li>- Chaochom Warehouse Co., Ltd. / Sugar Warehouse Servicer</li> <li>- Mahawang Sugar Co., Ltd./ Sugar manufacturer and distributor</li> <li>- Ratohasima Sugar Co., Ltd. / Sugar manufacturer and distributor</li> <li>- Chaimongkol Refined Sugar Co., Ltd. / Sugar manufacturer and distributor</li> <li>- Wangkanai Sugar Co., Ltd. / Sugar manufacturer and distributor</li> <li>- Wangkanai Co., Ltd. / Commercial and agricultural business</li> <li>- Wangkanai Terminal Co., Ltd. / Ship loader for sugar transportation</li> <li>- Wang Business Co., Ltd. / Handle customs procedures for import and export operation</li> <li>- Ang Thong Warehouse Co., Ltd. / Warehouse and transfer service</li> <li>- Aow Thai Warehouse Co., Ltd. / Sugar warehouse</li> <li>- T.N. Sugar Industry Co., Ltd. / Sugar manufacturer and distributor</li> <li>- Angvian Industry Co., Ltd. / Sugar manufacturer and distributor</li> </ul>	

## Details of Directors and Executive Management

No.	Name Position	Age (Year)	Educational Background	Share holding In LHK (As of March 31, 2012)	Relation between the Director Member	Work Experience for the last 5 years		
						Period	Job Title	Company Name/Type of Business
7.	Mr. Lert Nithranont Director, Independent Director and Member of Audit Committee	50 years	- Master of Business Administration (International Business) University of Southern California U.S.A.  - Bachelor of Science Mechanical Engineering and Applied Mechanics University of Pennsylvania U.S.A. - Director Accreditation Program DAP35/2005 on Apr. 1, 2005	-	-	2005 - Present  1996 - Present	- Director, Independent Director and Member of Audit Committee  - Director	- Lohakit Metal Public Company Limited / Procuring stainless steel coils products  - Royal Concord Interrade Co., Ltd. / Trading Business Eco-Tech (Thailand) Co.,Ltd. / Consultant of Quality and Environment System
8.	Mrs. Chanpen Chitsawat General Administration Manager	41 years	- High Vocational Certificate, Wiboon Business Administration College, Business Computer	-	-	2007 - Present  2002 - 2006	- General Administration Manager  - Purchasing Manager	- Lohakit Metal Public Company Limited / Procuring stainless steel coils products - Lohakit Metal Public Company Limited / Procuring stainless steel coils products

## Details of Directors and Executive Management

No.	Name Position	Age (Year)	Educational Background	Share holding In LHK (As of March 31, 2012)	Relation between the Director Member	Work Experience for the last 5 years		
						Period	Job Title	Company Name/Type of Business
9.	Mr. Wisit Worayogovit Accounting and Finance Manager	45 years	- Bachelor of Accounting Thammasat University	-	-	2009 - Present 2008 - 2009 2004 - 2007 1998 - 2004	- Accounting and Finance Manager - Hub Finance Manager - Business Controller - Finance Controller	- Lohakit Metal Public Company Limited / Procuring stainless steel coils products - East-West Seed (ROH) Limited / Manufacturer and distributor seeds - Alfa Laval (Thailand) Ltd. / Distributor machine and engineering appliance - Roche Diagnostics (Thailand) Co., Ltd. / Distributor Chemical medicinal liquid and medical appliance
10.	Mr. Boonjob Limchamroen Human Resources Manager	52 years	- Master Degree M.A. Political Sciences (Public Administration) Thammasat University	-	-	2011 - Present 2006 - 2011	- Quality Assurance Department Manager - Quality Assurance Department Senior Manager	- Lohakit Metal Public Company Limited / Procuring stainless steel coils products - LN Srithai Com Co.,Ltd , manufacturer for equipments of PABX & telephone
11.	Mr. Worasak Wongprakornkul Plant Manager	46 years	- MBA Burapha University - Bachelor: Mechanical Engineering Chulalong Korn University	-	-	2012 - Present 2006 - 2011	- Plant Manager - Value Added Product (VAP) Manufacturing Manager	- Lohakit Metal Public Company Limited / Procuring stainless steel coils products - Siam Gypsum Industry Co., Ltd.



# Management Discussion and Analysis

## 1. Operating Performance

For the year ended 31<sup>st</sup> March 2012, the Company and its subsidiaries had net profit of Baht 96.72 million or decreased by 42.39 million or 30.5 percent from previous year, compared with the net profit of Baht 139.11 million of the same period of the previous year. The decrease in net profit was mainly due to two big incidents which are Tsunami in Japan and recent mega flooding in many areas, including major industrial estates of country. Both incidents impair main industrial supply chain especially in automotive home appliance and harddisk, as such sales and net profits of the Company and its subsidiary who are the part of supply chain have been impacted (previously expected to grow in normal situation) and slow down to the unfavorable situations. However, sales and net result positively shown in latest quarter signify the recovery of industries back into normal situation, especially in pipe products following the fast recovery than expectation in main industries.

The profit before interest and tax decreased by Baht 30.41 million whereas corporate tax decreased by Baht 3.38 million financial cost increased by Baht 2.75 million by the rise of market interest rate during the year and increases by Baht 12.84 million to minority shareholders with full year recording of profit sharing whereas last year sharing was 6 months time. The different in time was the result from sales of partial investment in subsidiary company to Mory Industrial Inc, a Japanese business alliance by October 2010.

(Unit: Baht millions)

Consolidated financial statement	For the year ended 31 <sup>st</sup> March			
	Apr 2011 - Mar 2012	Apr 2010 - Mar 2011	Change	% Change
Revenue from sales & service	2,287.87	2,415.00	-127.13	-5.3%
Other income	34.07	39.35	-5.28	-13.4%
<b>Total revenue</b>	<b>2,321.94</b>	<b>2,454.35</b>	<b>-132.41</b>	<b>-5.4%</b>
Cost of goods sold & service	2,037.69	2,137.16	-99.47	-4.7%
Selling expenses	50.40	57.76	-7.36	-12.7%
Administrative expenses	67.61	62.78	4.83	-7.7%
<b>Total expenses</b>	<b>2,155.70</b>	<b>2,257.70</b>	<b>-102.00</b>	<b>-4.5%</b>
Earning before interest and tax	166.24	196.65	-30.41	-15.5%
Finance cost	-19.60	-16.85	-2.75	16.3%
Share of profit from investment in associate	1.62	1.39	0.23	16.5%
Corporate Income tax expenses	-25.78	-29.16	3.38	11.6%
<b>Net profit</b>	<b>122.48</b>	<b>152.03</b>	<b>-29.55</b>	<b>-19.4%</b>
Minority interest in subsidiary	-25.76	-12.92	-12.84	99.4%
<b>Net profit of the Company</b>	<b>96.72</b>	<b>139.11</b>	<b>-42.39</b>	<b>-30.5%</b>

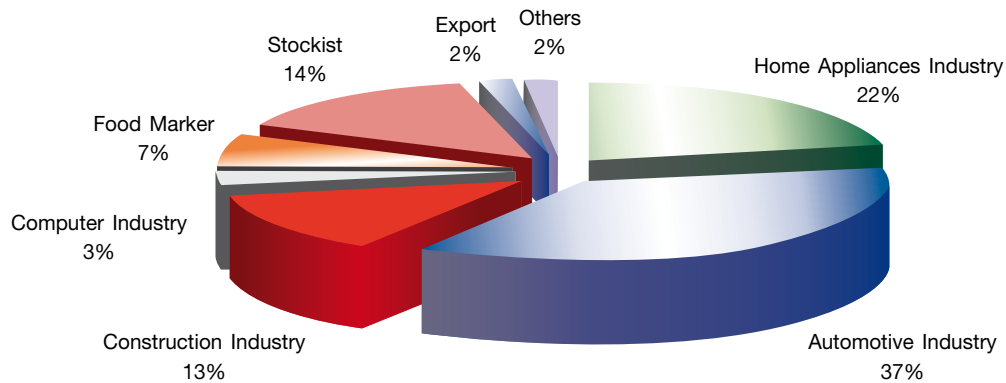
### 1.1 Revenue

For the year ended 31<sup>st</sup> March 2012, the Company and its subsidiaries had revenue from sales and service of Baht 2,287.87 million compared with Baht 2,415.00 million in the same period of the previous year, which decreased by 5.3 percent. This was owing to two big incidents which are Tsunami in Japan and recent mega flooding in many areas including to major industrial estates of country. It was

resulting to automotive and home appliance industries and as such the Company and its subsidiary have been impacted in sales.

The Company and its subsidiaries' revenue from the sales of goods are mostly revenue from domestic sales. For the year ended 31<sup>st</sup> March 2012, the Company and its subsidiaries had revenue from domestic sales of 97.75 percent of total revenue from sales.

### Revenue Structure (Segment)



#### 1.2 Other income

Other income consists of interest income, gain from asset sales and revenue from scrap sales. For the year ended 31<sup>st</sup> March 2012, the Company and its subsidiaries had other income of Baht 34.07 million or decreased by 13.4 percent from the same period previous year. This was owing to the realization of gain from sales of partial investment in subsidiary of Baht 5.79 million in previous year whereas there was no such transaction in current year.

The significant other income is income from scrap sales which are the results from the processing of cold rolled stainless steel sheet and coil such cut to length as per customers' requirements. The Company and its subsidiaries therefore sold scrap and recorded as the other income.

#### 1.3 Cost of goods sold

Major cost of goods sold are cost of raw material such cold rolled stainless steel sheet and coil and D-Stainless which the Company and its subsidiaries process. For the year ended 31<sup>st</sup> March 2012, the Company and its subsidiaries had cost of goods sold of Baht 2,037.69 million, or accounting for 87.75 percent of the total revenue in comparing with Baht 2,137.16 million or accounting for 87.07 percent of total revenue of previous year, the main reason of reduction in percentage was due to the slowing down by impacts of Tsunami and Mega flooding of profitable product sales. Cost of goods sold decreased by 4.7 percent whereas sales & service decreased by 5.3 percent, the main reason was due to less production volume following the slowing down in sales.

#### 1.4 Selling expenses

Selling expenses consist of sale staff expenses, transportation expenses, promotion expenses. For the year ended 31<sup>st</sup> March 2012, the Company and its subsidiaries had selling expenses of Baht 50.40 million, compared with selling expenses of Baht 57.76 million in the same period of the previous year which decreased by 12.7 percent. This was due to the attempt in controlling expenses during the slowing down in sales and the settlement of doubtful debt by Baht 4.04 million from a customer in which this amount was fully reserved in previous year. For the year ended 31<sup>st</sup> March 2012, the selling expenses were 2.17 percent of total revenue, decreased in comparing with selling expenses of 2.35 percent of total revenue in the same period of the previous year.

## **1.5 Administrative expenses**

Administrative expenses consist of executive expenses and staff expenses other than sale department, office rental expenses and other management and administrative expenses. For the year ended 31<sup>st</sup> March 2012, the Company and its subsidiaries had administrative expenses of Baht 67.61 million, compared with administrative expenses of Baht 62.78 million in the same period of the previous year which increased by 7.7 percent, this was due to the payment for tax surcharge by Baht 2.5 million. The tax surcharge came from shortage of half year tax submission in the past as the result of underestimating. The other increase is in the area of personnel costs due to salary normally increased year by year and other administrative expenses.

For the year ended 31<sup>st</sup> March 2012, the administrative expenses were 2.91 percent of total revenue, compared with administrative expenses of 2.55 percent of total revenue in the same period the previous year.

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

For the year ended 31<sup>st</sup> March 2012, the Company and its subsidiaries had profit before interest and tax of Baht 166.24 million. After deducting the finance cost of Baht 19.60 million, income tax of Baht 25.78 million, net profit sharing to minority shareholders of subsidiary of Baht 25.76 million and adding the profit sharing from investment in related of Baht 1.62 million, the net profit of the Company and its subsidiaries stood at Baht 96.72 million. When comparing to the profit before interest and tax and the net profit of the same period of the previous year which stood at Baht 139.11 million, the net profit of the present period decreased by 30.5 percent.

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

In April 2009, the Company invested in the ordinary shares of Mory Lohakit (Thailand) Co.,Ltd. by holding 49 percent of total shares. As for the accounting year ended 31<sup>st</sup> March 2012 and 2011, the company and its subsidiary recognized share of profit by equity method of Baht 1.62 million and Baht 1.39 million respectively.

## **1.8 Corporate income tax**

For the year ended 31<sup>st</sup> March 2012, the Company and its subsidiaries recognized corporate tax expenses by 25.78 million or decreased by 11.6 percent. It was recorded by using normal tax rate of 30.0 percent in current year due the expiry of tax benefit from the member of SET, whereas discount tax rate applied in previous year.

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

On Oct 1 2010, the company sold partial investment in a subsidiary company to Japanese alliance, Mory Industrial Inc., As of 31<sup>st</sup> March 2012, the Company and its subsidiaries recognized profit sharing to minority shareholders according to the percentage of its shareholding in full year which was amount by 25.76 million. The increase in amount was because of the sharing of profit of only six month period in previous year.

## **1.10 Profitability**

For the year ended 31<sup>st</sup> March 2012 the Company and its subsidiaries had gross profit margin of 10.93 percent compared with gross profit margin of 11.50 percent in the same period the previous year. The decrease in gross profit margin was owing to the slowing down in profitable product sales.

For the year ended 31<sup>st</sup> March 2012, the Company and its subsidiaries had net profit margin of 4.16 percent compared with net profit of 5.67 percent in the same period of the previous year. The increase in net profit was mainly contributable from the lower in gross margin as mention above.

## 2. Financial Status

(Unit: Baht million)

Consolidated balance sheets	As at 31 <sup>st</sup> March 2012		As at 31 <sup>st</sup> March 2011	
	Amount	%	Amount	%
<b><u>Assets</u></b>				
<b><u>Current Assets</u></b>				
Cash and cash equivalents	53.85	3.54%	33.97	2.28%
Account receivable, trade and others	541.54	35.56%	570.60	38.22%
Inventories, net	553.95	36.38%	525.20	35.18%
Other current assets	7.03	0.46%	13.76	0.91%
<b>Total current assets</b>	<b>1,156.37</b>	<b>75.94%</b>	<b>1,143.53</b>	<b>76.59%</b>
<b><u>Non-current assets</u></b>				
Investment in related company	9.14	0.60%	7.58	0.51%
Property, plant and equipment, net	349.50	22.95%	332.70	22.29%
Intangible assets – net	0.37	0.02%	1.85	0.12%
Restricted fixed deposits	5.00	0.33%	5.00	0.33%
Other non-current assets	2.46	0.16%	2.34	0.16%
<b>Total non-current assets</b>	<b>366.47</b>	<b>24.06%</b>	<b>349.47</b>	<b>23.41%</b>
<b>TOTAL ASSETS</b>	<b>1,522.84</b>	<b>100.00%</b>	<b>1,493.00</b>	<b>100.00%</b>
<b><u>LIABILITIES</u></b>				
<b><u>Current liabilities</u></b>				
Bank overdraft and borrowing from financial institutions	266.17	17.48%	307.05	20.57%
Account payables, trade and others	223.12	14.65%	249.93	16.74%
Current portion of financial lease	3.63	0.24%	2.30	0.15%
Accrued corporate income tax	9.35	0.61%	13.28	0.89%
Other current liabilities	6.07	0.40%	6.32	0.43%
<b>Total current liabilities</b>	<b>508.34</b>	<b>33.38%</b>	<b>578.88</b>	<b>38.78%</b>
<b><u>Non-current liabilities</u></b>				
Financial lease obligations	9.57	0.63%	3.34	0.22%
Provision for employee benefit	16.07	1.05%	-	-
<b>Total non-current liabilities</b>	<b>25.64</b>	<b>1.68%</b>	<b>3.34</b>	<b>0.22%</b>
<b>TOTAL LIABILITIES</b>	<b>533.98</b>	<b>35.06%</b>	<b>582.22</b>	<b>39.00%</b>
<b><u>SHAREHOLDERS' EQUITY</u></b>				
Shareholder equity				
Registered capital				
Issued and Paid up capital	320.00	-	320.00	-
Premium on stock	320.00	21.01%	320.00	21.43%
Retained earnings	330.67	21.72%	330.67	22.15%
Legal reserve	24.46	1.61%	18.43	1.23%
Un-appropriated	183.32	12.04%	175.75	11.77%
Non-controlling interest of a subsidiary	130.41	8.56%	65.93	4.42%
<b>Total shareholders' equity</b>	<b>988.86</b>	<b>64.94%</b>	<b>910.78</b>	<b>61.00%</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>1,522.84</b>	<b>100.00%</b>	<b>1,493.00</b>	<b>100.00%</b>

## **2.1 Assets**

As for the assets value as at 31<sup>st</sup> March 2012 and 2011 the Company and its subsidiaries had total assets of Baht 1,522.84 million and Baht 1,493.00 million respectively since the Company and its subsidiaries operated integrated stainless center which provided many kinds of services such as procurement, transformation, manufacture and stainless product wholesale. Therefore, the Company and its subsidiaries' major assets are inventories, account receivables, land, plant and equipment as details below:

2.1.1 Inventories: As at 31<sup>st</sup> March 2012 and 2011 the Company and its subsidiaries had net inventories of Baht 553.95 million (or 36.38 percent of total assets) and Baht 525.20 million (or 35.18 percent of total assets) respectively.

2.1.2 Account receivables, trade and others: As at 31<sup>st</sup> March 2012 and 2011, the Company and its subsidiaries had account receivables of Baht 541.54 million (or 35.56 percent of total assets) and Baht 570.60 million (or 38.22 percent of total assets) respectively. The decreased in account receivables was the result of the non-fully recovery in sales in last quarter, following the industrial production status.

2.1.3 Land, plant and equipments - Land and improvements, building, machinery, office equipments, vehicles and work on progress of construction: As at 31<sup>st</sup> March 2012 and 2011, the Company and its subsidiaries had Land, plant and equipments - net of Baht 349.50 million (or 22.95 percent of total assets) and Baht 332.70 million (or 22.29 percent of total assets) respectively. The increase was due mainly to purchase machine of a subsidiary for exhausted pipes.

## **2.2 Liabilities**

The total liabilities of the Company and its subsidiaries as at 31<sup>st</sup> March 2012 and 2011 stood at Baht 533.98 million and Baht 582.22 million respectively. The major decrease in liabilities was from trade account payable and trust receipt loan.

By 1<sup>st</sup> April 2011, The Company and its subsidiaries have adopted the new accounting standard no. 19 in respect of provision for long term employee benefit which is compulsory for all public interest companies in this accounting year. The company and its subsidiary reserved the initial amount of Baht 12.73 million by classifying it out of retained earning brought forward of the accounting year.

As of 31<sup>st</sup> March 2012, the total reserve was Baht 16.07 million (or 1.05 percent of total assets).

## **2.3 Shareholders' equity**

As at 31<sup>st</sup> March 2012, shareholders' equity was Baht 988.86 million and as at 31<sup>st</sup> March 2011, shareholders' equity stood at Baht 910.78 million. The overall increase came from net combination of realizing net profit in year amounting to Baht 96.72 million. There was also the dividend payment of baht 70.40 million, reclassify out to provision for long term employee benefit by Baht 12.73 million and non-controlling interest portion by Baht 130.41 million from profit sharing and share value of minority shareholders in a subsidiary. On December'1 2011, a subsidiary increase its capital by Baht 100 million which consisting of the Company and another major shareholder portions by Baht 60 million and Baht 40 million respectively.

Debt to Equity ratio, as at 31<sup>st</sup> March 2012 and 2011, the ratios were at 0.54 times and 0.64 times respectively.

(Unit: Baht million)

Consolidated cash flows statement	As at 31 <sup>st</sup> March 2012	As at 31 <sup>st</sup> March 2011
Net cash from (used in) operating activities	151.42	56.39
Net cash used in investing activities	-57.88	8.13
Net cash from (used in) financing activities	-73.66	-75.78
Effect of exchange rate to cash and cash equivalent	-	-
Net increase (decrease) in cash	19.88	-11.26

### 3. Cash flows

For the period of year ended 31<sup>st</sup> March 2012, the Company and its subsidiaries had net positive cash from operating activities of Baht 151.42 million, consisting of positive cash inflow from profit of Baht 170.96 million and reduce by increase in net working capital of Baht 19.54 million. Beside, the Company used cash in investing activities of Baht 57.88 million, mostly in machine and equipments of the subsidiary. The cash flow from the financing activities was net decrease by Baht 73.66 million with consisting of repayment of short term loan by Baht 39.76 million, dividend payment of Baht 70.40 million in August 2011 and Baht 40 million cash inflow from capital injection into subsidiary company of another major shareholder in subsidiary. In overall, it was the net increase in cash of Baht 19.88 million.

---

Lohakit Metal Public Company Limited  
and its subsidiaries  
Report and consolidated financial statements  
31 March 2012 and 2011



**Ernst & Young Office Limited**  
33rd Floor, Lake Rajada Office Complex  
193/136-137 Rajadapisek Road  
Klongtoey, Bangkok 10110  
G.P.O.Box 1047, Bangkok 10501, Thailand  
Tel: +66 2264 0777  
Fax: +66 2264 0789-90  
www.ey.com

บริษัท สำนักงาน เอ็นส์ แอนด์ ยัง จำกัด  
ชั้น 33 อาคารเลครัชดา  
193/136-137 ถนนรัชดาภิเษก  
คลองเตย กรุงเทพฯ 10110  
ต.ป.ณ. 1047 กรุงเทพฯ 10501  
โทรศัพท์: +66 2264 0777  
โทรสาร: +66 2264 0789-90  
www.ey.com

## Report of Independent Auditor

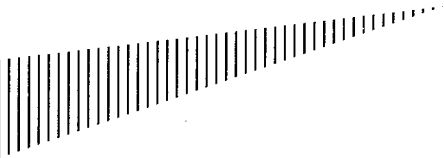
To the Shareholders of Lohakit Metal Public Company Limited

I have audited the accompanying consolidated statements of financial position of Lohakit Metal Public Company Limited and its subsidiaries as at 31 March 2012 and 2011, the related consolidated statements of comprehensive 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 periods. 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 2012 and 2011, and the results of their operations and cash flows for the years then ended, in accordance with generally accepted accounting principles.





Without qualifying my opinion on the aforementioned financial statements, I draw attention to Note 3 to the financial statements. During the current year, the Company adopted a number of revised and new accounting standards as issued by the Federation of Accounting Professions, and applied them in the preparation and presentation of its financial statements.

Gingkarn Atsawarangsalit

Certified Public Accountant (Thailand) No. 4496

Ernst & Young Office Limited

Bangkok: 24 May 2012

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

**Statements of financial position**

**As at 31 March 2012 and 2011**

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	9	53,847,848	33,967,062	45,689,800	16,809,948
Trade and other receivables	8, 10	541,542,247	570,599,624	377,789,620	431,761,107
Short-term loan to related party	8	-	-	-	115,000,000
Inventories	11	553,949,706	525,204,522	375,461,027	368,359,587
Other current assets		7,029,010	13,764,640	6,386,915	13,316,325
<b>Total current assets</b>		<b>1,156,368,811</b>	<b>1,143,535,848</b>	<b>805,327,362</b>	<b>945,246,967</b>
<b>Non-current assets</b>					
Restricted bank deposits		5,000,000	5,000,000	5,000,000	5,000,000
Investment in associated company	13	9,140,526	7,581,938	4,900,000	4,900,000
Investments in subsidiaries	12	-	-	144,998,600	84,998,600
Property, plant and equipment	14	349,495,109	332,698,567	126,140,477	120,367,552
Intangible assets	15	376,927	1,851,860	175,714	1,254,516
Other non-current assets		2,462,564	2,338,564	1,863,835	1,863,835
<b>Total non-current assets</b>		<b>366,475,126</b>	<b>349,470,929</b>	<b>283,078,626</b>	<b>218,384,503</b>
<b>Total assets</b>		<b>1,522,843,937</b>	<b>1,493,006,777</b>	<b>1,088,405,988</b>	<b>1,163,631,470</b>

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

Lohakit Metal Public Company Limited and its subsidiaries

Statements of financial position (continued)

As at 31 March 2012 and 2011

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
<b>Liabilities and shareholders' equity</b>					
<b>Current liabilities</b>					
Short-term loans from financial institutions	16	266,171,794	307,047,265	138,671,174	165,443,638
Trade and other payables	8, 17	223,115,441	249,923,234	116,385,814	152,177,723
Current portion of financial lease payables	18	3,633,151	2,301,268	2,315,710	1,542,251
Income tax payable		9,348,906	13,284,888	9,348,906	13,243,742
Other current liabilities		6,069,717	6,321,677	4,410,691	5,279,533
<b>Total current liabilities</b>		<b>508,339,009</b>	<b>578,878,332</b>	<b>271,132,295</b>	<b>337,686,887</b>
<b>Non-current liabilities</b>					
Financial lease payables	18	9,569,111	3,343,599	5,963,414	1,865,920
Provision for long-term employee benefits	19	16,075,911	-	11,332,102	-
Other non-current liabilities		1,400	1,400	-	-
<b>Total non-current liabilities</b>		<b>25,646,422</b>	<b>3,344,999</b>	<b>17,295,516</b>	<b>1,865,920</b>
<b>Total liabilities</b>		<b>533,985,431</b>	<b>582,223,331</b>	<b>288,427,811</b>	<b>339,552,807</b>

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

Lohakit Metal Public Company Limited and its subsidiaries

Statements of financial position (continued)

As at 31 March 2012 and 2011

		(Unit: Baht)			
		Consolidated financial statements		Separate financial statements	
Note		<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<b>Shareholders' equity</b>					
Share capital					
Registered					
	320,000,000 ordinary shares of Baht 1 each	320,000,000	320,000,000	320,000,000	320,000,000
Issued and fully paid-up					
	320,000,000 ordinary shares of Baht 1 each	320,000,000	320,000,000	320,000,000	320,000,000
	Share premium	330,672,600	330,672,600	330,672,600	330,672,600
Retained earnings					
	Appropriated - statutory reserve	24,457,435	18,427,585	21,237,335	18,427,585
	Unappropriated	183,316,018	175,752,528	128,068,242	154,978,478
	Equity attributable to owners of the Company	858,446,053	844,852,713	799,978,177	824,078,663
	Non-controlling interests of the subsidiary	130,412,453	65,930,733	-	-
	<b>Total shareholders' equity</b>	<b>988,858,506</b>	<b>910,783,446</b>	<b>799,978,177</b>	<b>824,078,663</b>
	<b>Total liabilities and shareholders' equity</b>	<b>1,522,843,937</b>	<b>1,493,006,777</b>	<b>1,088,405,988</b>	<b>1,163,631,470</b>

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

Directors

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

**Statements of comprehensive income**

For the years ended 31 March 2012 and 2011

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
<b>Profit or loss:</b>					
<b>Revenues</b>					
Sales and service income		2,287,867,227	2,415,003,039	1,697,806,169	1,910,844,084
Other income		34,072,619	39,349,029	32,533,452	35,154,082
<b>Total revenues</b>		<b>2,321,939,846</b>	<b>2,454,352,068</b>	<b>1,730,339,621</b>	<b>1,945,998,166</b>
<b>Expenses</b>					
Cost of sales and services		2,037,688,180	2,137,159,010	1,553,660,373	1,726,745,793
Selling expenses		50,402,292	57,762,275	30,615,028	38,009,624
Administrative expenses		67,607,622	62,781,376	51,226,295	48,335,084
<b>Total expenses</b>		<b>2,155,698,094</b>	<b>2,257,702,661</b>	<b>1,635,501,696</b>	<b>1,813,090,501</b>
<b>Profit before share of profit from investment</b>					
in associate, finance cost and corporate income tax		166,241,752	196,649,407	94,837,925	132,907,665
Share of profit from investment in associate	13	1,622,887	1,397,417	-	-
<b>Income before finance cost and corporate income tax</b>		<b>167,864,639</b>	<b>198,046,824</b>	<b>94,837,925</b>	<b>132,907,665</b>
Finance cost		(19,599,532)	(16,852,133)	(12,862,582)	(13,737,932)
<b>Profit before corporate income tax</b>		<b>148,265,107</b>	<b>181,194,691</b>	<b>81,975,343</b>	<b>119,169,733</b>
Corporate income tax	22	(25,780,730)	(29,165,373)	(25,780,730)	(29,107,191)
<b>Profit for the year</b>		<b>122,484,377</b>	<b>152,029,318</b>	<b>56,194,613</b>	<b>90,062,542</b>
<b>Other comprehensive income:</b>					
Other comprehensive income for the year		-	-	-	-
<b>Total comprehensive income for the year</b>		<b>122,484,377</b>	<b>152,029,318</b>	<b>56,194,613</b>	<b>90,062,542</b>
<b>Profit attributable to:</b>					
Equity holders of Company		96,723,840	139,111,441	56,194,613	90,062,542
Non-controlling interests of the subsidiary		25,760,537	12,917,877		
		<b>122,484,377</b>	<b>152,029,318</b>		
<b>Total comprehensive income attributable to:</b>					
Equity holders of the Company		96,723,840	139,111,441	56,194,613	90,062,542
Non-controlling interests of the subsidiary		25,760,537	12,917,877		
		<b>122,484,377</b>	<b>152,029,318</b>		
<b>Earnings per share</b>					
24					
<b>Basic earnings per share</b>					
Profit attributable to equity holders of the Company		0.30	0.43	0.18	0.28

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

**Lohakit Metal Public Company Limited and its subsidiaries**  
**Statements of changes in shareholders' equity**  
**For the years ended 31 March 2012 and 2011**

(Unit: Baht)

	Consolidated financial statements						
	Equity attributable to owners of the Company			Total equity			
	Issued and paid-up share capital	Share premium	Retained earnings - Appropriated - statutory reserve	Unappropriated	attributable to owners of the Company	Equity attributable to non-controlling interests of the subsidiary	Total
<b>Balance as at 31 March 2010</b>	320,000,000	330,672,600	13,924,457	89,144,215	753,741,272	-	753,741,272
Dividend paid (Note 27)	-	-	-	(48,000,000)	(48,000,000)	-	(48,000,000)
Total comprehensive income for the year	-	-	-	139,111,441	139,111,441	12,917,877	152,029,318
Unappropriated retained earnings transferred to statutory reserve (Note 20)	-	-	4,503,128	(4,503,128)	-	-	-
Non-controlling interests - equity attributable to non-controlling interests of a subsidiary	-	-	-	-	-	53,012,856	53,012,856
<b>Balance as at 31 March 2011</b>	320,000,000	330,672,600	18,427,585	175,752,528	844,852,713	65,930,733	910,783,446
<b>Balance as at 31 March 2011</b>	320,000,000	330,672,600	18,427,585	175,752,528	844,852,713	65,930,733	910,783,446
Cumulative effect of change in accounting policy for employee benefits (Note 5)	-	-	-	(12,730,500)	(12,730,500)	(1,278,817)	(14,009,317)
Capital increase in a subsidiary for non-controlling interests of the subsidiary	-	-	-	-	-	40,000,000	40,000,000
Dividend paid (Note 27)	-	-	-	(70,400,000)	(70,400,000)	-	(70,400,000)
Total comprehensive income for the year	-	-	-	96,723,840	96,723,840	25,760,537	122,484,377
Unappropriated retained earnings transferred to statutory reserve (Note 20)	-	-	6,029,850	(6,029,850)	-	-	-
<b>Balance as at 31 March 2012</b>	320,000,000	330,672,600	24,457,435	183,316,018	858,446,053	130,412,453	988,858,506

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

**Lohakit Metal Public Company Limited and its subsidiaries**  
**Statements of changes in shareholders' equity (continued)**

**For the years ended 31 March 2012 and 2011**

(Unit: Baht)

	Separate financial statements					Total
	Issued and fully paid-up share capital	Share premium	Retained earnings		Unappropriated	
			Appropriated - statutory reserve	Unappropriated		
<b>Balance as at 31 March 2010</b>	320,000,000	330,672,600	13,924,457	117,419,064	782,016,121	
Dividend paid (Note 27)	-	-	-	(48,000,000)	(48,000,000)	
Total comprehensive income for the year	-	-	-	90,062,542	90,062,542	
Unappropriated retained earnings transferred to statutory reserve (Note 20)	-	-	4,503,128	(4,503,128)	-	
<b>Balance as at 31 March 2011</b>	<u>320,000,000</u>	<u>330,672,600</u>	<u>18,427,585</u>	<u>154,978,478</u>	<u>824,078,663</u>	
<b>Balance as at 31 March 2011</b>	320,000,000	330,672,600	18,427,585	154,978,478	824,078,663	
Cumulative effect of change in accounting policy for employee benefits (Note 5)	-	-	-	(9,895,099)	(9,895,099)	
Dividend paid (Note 27)	-	-	-	(70,400,000)	(70,400,000)	
Total comprehensive income for the year	-	-	-	56,194,613	56,194,613	
Unappropriated retained earnings transferred to statutory reserve (Note 20)	-	-	2,809,750	(2,809,750)	-	
<b>Balance as at 31 March 2012</b>	<u>320,000,000</u>	<u>330,672,600</u>	<u>21,237,335</u>	<u>128,068,242</u>	<u>799,978,177</u>	

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

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

**Statements of cash flows**

**For the years ended 31 March 2012 and 2011**

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<b>Cash flows from operating activities</b>				
Profit before tax	148,265,107	181,194,691	81,975,343	119,169,733
Adjustments to reconcile profit before tax to net cash provided by (used in) operating activities:				
Depreciation	56,039,186	63,167,621	15,431,570	29,250,336
Amortisation	1,474,933	2,507,455	1,078,802	2,076,452
Reversal of allowance for doubtful accounts	(4,041,284)	(8,540,737)	(3,396,230)	(9,185,792)
Bad debt expense	-	12,567,240	-	12,567,240
Decrease of inventory to net realisable value (reversal)	3,131,291	(8,910,929)	1,537,268	(9,136,378)
Gain on sale of investment	-	(5,787,144)	-	(2,800,000)
Gain on sales of equipment	(3,808,934)	(2,020,506)	(3,411,740)	(2,020,506)
Movements in provision for long-term employee benefits	2,130,894	-	1,437,003	-
Unrealised (gain) loss on foreign exchange	(909,173)	2,742,781	(324,008)	2,513,553
Share of profit from investment in associate	(1,622,887)	(1,397,417)	-	-
Interest income	(79,949)	(40,683)	(7,091,673)	(6,530,153)
Interest expense	17,967,797	15,146,796	11,945,382	12,683,504
Income from operating activities before changes in operating assets and liabilities	218,546,981	250,629,168	99,181,717	148,587,989
Decrease (increase) in operating assets				
Trade and other receivables	33,152,296	(71,743,231)	55,586,000	24,184,433
Inventories	(31,876,475)	(53,242,960)	(8,638,708)	26,135,393
Other current assets	6,719,030	2,267,564	6,929,412	(3,041,546)
Other non-current assets	(124,000)	(112,935)	-	(935)
Increase (decrease) in operating liabilities				
Trade and other payables	(26,798,710)	(37,998,452)	(36,270,894)	(52,248,552)
Other current liabilities	(617,211)	2,231,657	(868,844)	1,768,585
Cash flows from operating activities	199,001,911	92,030,811	115,918,683	145,385,367
Cash paid for interest expenses	(17,881,897)	(15,207,914)	(11,863,746)	(12,833,313)
Cash paid for corporate income tax	(29,700,108)	(20,434,806)	(29,675,566)	(20,448,523)
<b>Net cash from operating activities</b>	<b>151,419,906</b>	<b>56,388,091</b>	<b>74,379,371</b>	<b>112,103,531</b>

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 years ended 31 March 2012 and 2011

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
<b>Cash flows from investing activities</b>				
Decrease (increase) in short-term loan to related party	-	-	115,000,000	(26,000,000)
Interest income	79,949	40,682	8,900,560	6,005,059
Cash paid for investment in subsidiary	-	-	(60,000,000)	-
Cash received from sale of investment in subsidiary	-	58,800,000	-	58,800,000
Acquisition of equipment	(65,220,327)	(52,406,615)	(17,575,462)	(12,524,244)
Acquisition of intangible assets	-	(323,655)	-	(144,000)
Proceeds from sales of equipment	7,253,271	2,020,512	6,856,075	2,020,512
<b>Net cash from (used in) investing activities</b>	<b>(57,887,107)</b>	<b>8,130,924</b>	<b>53,181,173</b>	<b>28,157,327</b>
<b>Cash flows from financing activities</b>				
Decrease in short-term loans from financial institutions	(39,763,762)	(18,630,083)	(26,092,369)	(110,730,618)
Repayment of long-term loans	-	(5,500,000)	-	-
Cash received from non-controlling interests of the subsidiary for capital increase in a subsidiary	40,000,000	-	-	-
Dividend paid	(70,400,000)	(48,000,000)	(70,400,000)	(48,000,000)
Repayment of financial lease payables	(3,502,343)	(3,652,337)	(2,202,415)	(2,706,252)
<b>Net cash used in financing activities</b>	<b>(73,666,105)</b>	<b>(75,782,420)</b>	<b>(98,694,784)</b>	<b>(161,436,870)</b>
<b>Effect of exchange rate to cash and cash equivalents</b>	<b>14,092</b>	<b>9,308</b>	<b>14,092</b>	<b>9,308</b>
Net increase (decrease) in cash and cash equivalents	19,880,786	(11,254,097)	28,879,852	(21,166,704)
Cash and cash equivalents at beginning of year	33,967,062	45,221,159	16,809,948	37,976,652
<b>Cash and cash equivalents at end of year</b>	<b>53,847,848</b>	<b>33,967,062</b>	<b>45,689,800</b>	<b>16,809,948</b>
<b>Supplemental cash flows information</b>				
<b>Non-cash items:</b>				
Motor vehicles purchased under financial lease agreement	11,059,738	2,073,154	7,073,368	-

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 2012 and 2011**

**1. General information**

**1.1 Corporate information**

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

**2. Basis of preparation**

- 2.1 The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Professions Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 28 September 2011, issued under the Accounting Act B.E. 2543.

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

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

**2.2 Basis of consolidation**

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

Company's name	Nature of business	Country of incorporation	Percentage of shareholding	
			2012 Percent	2011 Percent
Auto Metal Company Limited	Production, smelting and assembly for all types of metal	Thailand	60	60
Alternative Stainless Company Limited	Distribution of metal products	Thailand	100	100

- b) Subsidiaries are fully consolidated, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
- c) The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Company.
- d) Material balances and transactions between the Company and its subsidiaries have been eliminated from the consolidated financial statements.
- e) Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated profit or loss and within equity in the consolidated statement of financial position.

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

### **3. Adoption of new accounting standards during the year**

During the current year, the Company adopted a number of revised and new accounting standards, issued by the Federation of Accounting Professions, as listed below.

Accounting standards:

TAS 1 (revised 2009)	Presentation of Financial Statements
TAS 2 (revised 2009)	Inventories
TAS 7 (revised 2009)	Statement of Cash Flows
TAS 8 (revised 2009)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2009)	Events after the Reporting Period
TAS 11 (revised 2009)	Construction Contracts
TAS 16 (revised 2009)	Property, Plant and Equipment
TAS 17 (revised 2009)	Leases
TAS 18 (revised 2009)	Revenue
TAS 19	Employee Benefits
TAS 23 (revised 2009)	Borrowing Costs

TAS 24 (revised 2009)	Related Party Disclosures
TAS 26	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2009)	Consolidated and Separate Financial Statements
TAS 28 (revised 2009)	Investments in Associates
TAS 29	Financial Reporting in Hyperinflationary Economies
TAS 31 (revised 2009)	Interests in Joint Ventures
TAS 33 (revised 2009)	Earnings per Share
TAS 34 (revised 2009)	Interim Financial Reporting
TAS 36 (revised 2009)	Impairment of Assets
TAS 37 (revised 2009)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2009)	Intangible Assets
TAS 40 (revised 2009)	Investment Property

Financial reporting standards:

TFRS 2	Share-Based Payment
TFRS 3 (revised 2009)	Business Combinations
TFRS 5 (revised 2009)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6	Exploration for and Evaluation of Mineral Resources

Financial Reporting Standard Interpretations:

TFRIC 15	Agreements for the Construction of Real Estate
----------	--

Accounting Standard Interpretations:

SIC 31	Revenue-Barter Transactions Involving Advertising Services
--------	--

These accounting standards do not have any significant impact on the financial statements. During the current year, the Company and its subsidiaries applied TAS 19 Employee Benefits as follows.

**TAS 19 Employee Benefits**

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

The Company and its subsidiaries have changed this accounting policy in the current year and recognise the liability in the transition period through an adjustment to the beginning balance of retained earnings in the current year. The change has the effect of decreasing the profit of the Company and its subsidiaries for the year ended 31 March 2012 by Baht 2.1 million (decreasing Baht 0.007 per share) (Separate financial statements: decreasing profit by Baht 1.4 Million or decreasing Baht 0.004 per share). The cumulative effect of the change in the accounting policy has been presented in Note 5 to the financial statements.

#### 4. New accounting standards issued during the years not yet effective

The Federation of Accounting Professions issued the following new/revised accounting standards that are effective for fiscal years beginning on or after 1 January 2013.

Accounting standards:

TAS 12	Income Taxes
TAS 20 (revised 2009)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates

Financial reporting standards:

TFRS 8	Operating Segments
--------	--------------------

Accounting Standard Interpretations:

SIC 10	Government Assistance - No Specific Relation to Operating Activities
SIC 21	Income Taxes - Recovery of Revalued Non - Depreciable Assets
SIC 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders

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

## TAS 12 Income Taxes

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

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

### 5. Cumulative effect of change in accounting policy due to the adoption of new accounting standards

During the current year, the Company made the change to its significant accounting policy described in Note 3 to the financial statements, as a result of the adoption of revised and new accounting standards. The cumulative effect of the change in the accounting policy has been separately presented in the statements of changes in shareholders' equity.

The amounts of adjustments affecting the statement of financial position as at 31 March 2011 are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
<b>Statement of financial position</b>		
Decrease in investment in associate from the adjustment of provision for long-term employee benefits of associated company	64	-
Increase in provision for long-term employee benefits	13,945	9,895
Decrease in unappropriated retained earnings	14,009	9,895

### 6. Significant accounting policies

#### 6.1 Revenue recognition

##### *Sales of goods*

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

### *Rendering of services*

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

### *Interest income*

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

### *Dividends*

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

## **6.2 Cash and cash equivalents**

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

## **6.3 Trade accounts receivable**

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

## **6.4 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 cost (weighted average basis) and net realisable value and are charged to production costs whenever consumed.

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

## **6.5 Investments**

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

Investments in subsidiaries and associated company are accounted for in the separate financial statements using the cost method net of allowance for impairment loss (if any).

## 6.6 Property, plant, equipment/Depreciation

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

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

Buildings and fixture	-	20 years
Machinery and equipment	-	5 and 10 years
Furniture and office equipment	-	5 years
Motor vehicles	-	5 years

Depreciation is included in determining income.

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

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

## 6.7 Borrowing costs

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

## 6.8 Intangible assets

The intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses (if any).

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

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

Computer software	-	5 years
-------------------	---	---------



## **6.9 Related party transactions**

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

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

## **6.10 Long-term leases**

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

Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term.

## **6.11 Foreign currencies**

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

Gains and losses on exchange are included in determining income.

## **6.12 Impairment of assets**

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

An impairment loss is recognised in profit or loss.

## 6.13 Employee benefits

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

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

### ***Post-employment benefits***

#### *Defined contribution plans*

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

### **Post-employment benefits**

#### *Defined benefit plans*

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

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

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

## 6.14 Provisions

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

## **6.15 Income tax**

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

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

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

### **Leases**

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

### **Allowance for doubtful accounts**

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

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

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

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

## Post-employment benefits under defined benefit plans

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

## 8. Related party transactions

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

(Unit: Thousand Baht)

	For the years ended 31 March				Transfer Pricing Policy
	Consolidated		Separate		
	financial statements	financial statements	financial statements	financial statements	
	2012	2011	2012	2011	
<u>Transactions with subsidiaries</u>					
(Eliminate from the consolidated financial statements)					
Sales of goods and service income	-	-	268,646	334,390	Sale of goods: Market price less discount 2%, and cost plus a margin at rate of 5%
					Service income: Closed to the market price
Interest income	-	-	7,012	6,489	MLR per annum
Service expenses	-	-	2,243	-	Closed to the market price
<u>Transactions with related party</u>					
Sales of goods and service income	56,743	54,388	42,353	41,427	Sales of goods: Closed to the net selling price that is sold to major customers
					Service income: Closed to the market price
Rental income	300	300	300	300	Fixed fee per month
Commission expenses	9,338	9,080	202	144	Not over 2% of sales

As at 31 March 2012 and 2011, the balances of the accounts between the Company and those related companies are as follows:

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<b><u>Trade and other receivables - related parties (Note 10)</u></b>				
Subsidiaries	-	-	62,298	85,306
Related companies (related by common major shareholders)	<u>5,063</u>	<u>3,389</u>	<u>4,761</u>	<u>3,030</u>
Total trade and other receivables - related parties	<u>5,063</u>	<u>3,389</u>	<u>67,059</u>	<u>88,336</u>
<b><u>Trade and other payables - related parties (Note 17)</u></b>				
Associated companies	3,514	4,262	-	-
Related companies (related by common major shareholders)	<u>29</u>	<u>104</u>	<u>29</u>	<u>104</u>
Total trade and other payables - related parties	<u>3,543</u>	<u>4,366</u>	<u>29</u>	<u>104</u>

#### Short-term loan to related party

This short-term loan is loan to Auto metal Company Limited (subsidiary) with interest rate at MLR and the movement is as follow:

(Unit: Thousand Baht)

	Related by	Separate financial statements			
		Balance as at	Increase	Decrease	Balance as at
		1 April	during	during	31 March
		2011	the year	the year	2012
<b><u>Loan to related party</u></b>					
Auto Metal Company Limited	Subsidiary	115,000	32,000	(147,000)	-

#### Directors and management's benefits

For the years ended 31 March 2012 and 2011, the Company and its subsidiaries had employee benefit expenses payable to their directors and management as below.

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Short-term employee benefits	32,218	28,410	21,604	18,292
Post-employment benefits	<u>512</u>	<u>-</u>	<u>463</u>	<u>-</u>
Total	<u>32,730</u>	<u>28,410</u>	<u>22,067</u>	<u>18,292</u>

## 9. Cash and cash equivalents

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Cash	85	85	55	55
Bank deposits	53,763	33,882	45,635	16,755
<b>Total</b>	<b>53,848</b>	<b>33,967</b>	<b>45,690</b>	<b>16,810</b>

As at 31 March 2012, bank deposits in saving accounts and fixed deposits carried interests between 0.62 and 1.90 percent per annum (2011: between 0.25 and 1.10 percent per annum).

## 10. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<u>Trade receivables - related parties</u>				
Aged on the basis of due dates				
Not yet due	2,820	1,193	44,438	62,511
Past due				
Up to 3 months	2,243	2,196	22,621	24,016
<b>Total trade receivables - related parties</b>	<b>5,063</b>	<b>3,389</b>	<b>67,059</b>	<b>86,527</b>
<u>Trade receivables - unrelated parties</u>				
Aged on the basis of due dates				
Not yet due	402,311	435,806	242,345	265,602
Past due				
Not over 3 months	134,140	131,377	68,358	77,795
Over 6 months to 12 months	-	4,038	-	3,393
Over 12 months	17,426	17,429	17,426	17,429
<b>Total</b>	<b>553,877</b>	<b>588,650</b>	<b>328,129</b>	<b>364,219</b>
Less: Allowance for doubtful accounts	(17,426)	(21,467)	(17,426)	(20,822)
<b>Total trade receivables - unrelated parties, net</b>	<b>536,451</b>	<b>567,183</b>	<b>310,703</b>	<b>343,397</b>
<b>Total trade receivable - net</b>	<b>541,514</b>	<b>570,572</b>	<b>377,762</b>	<b>429,924</b>

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<u>Other receivables</u>				
Other receivable - unrelated parties	28	28	28	28
Interest receivable - related party	-	-	-	1,809
Total other receivables	28	28	28	1,837
Trade and other receivables - net	541,542	570,600	377,790	431,761

**11. Inventories**

(Unit: Thousand Baht)

	Consolidated financial statements					
	Cost		Reduce cost to net realisable value		Inventories-net	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Finished goods	244,650	205,600	(22,968)	(17,581)	221,682	188,019
Raw materials	294,014	293,700	(3,470)	(5,726)	290,544	287,974
Supplies	7,578	6,640	-	-	7,578	6,640
Goods in transit	34,146	42,572	-	-	34,146	42,572
Total	580,388	548,512	(26,438)	(23,307)	553,950	525,205

(Unit: Thousand Baht)

	Separate financial statements					
	Cost		Reduce cost to net realisable value		Inventories-net	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Finished goods	172,286	161,203	(21,070)	(17,277)	151,216	143,926
Raw materials	190,891	182,513	(3,470)	(5,726)	187,421	176,787
Supplies	6,818	6,640	-	-	6,818	6,640
Goods in transit	30,006	41,007	-	-	30,006	41,007
Total	400,001	391,363	(24,540)	(23,003)	375,461	368,360

## 12. Investments in subsidiaries

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

(Unit: Thousand Baht)

Company's name	Paid-up capital		Shareholding percentage		Cost method	
	2012	2011	2012	2011	2012	2011
	Million Baht	Million Baht	Percent	Percent		
Auto Metal Company Limited	240	140	60	60	144,000	84,000
Alternative Stainless Company Limited	1	1	100	100	999	999
Total					144,999	84,999

On 1 December 2011, Auto Metal Company Limited increased its capital by Baht 100 million, through the issuance of 1 million additional ordinary shares with a par value of Baht 100 each, for offer to existing shareholders at Baht 100 per share. The Company increased the ordinary shares of Auto Metal Company Limited by Baht 60 million and no change in proportion of shareholding.

## 13. Investments in associated company

### 13.1 Details of associate:

(Unit: Thousand Baht)

Company's name	Nature of business	Country of incorporation	Shareholding percentage		Separate financial statements		Consolidated financial statements	
			Cost method		Carrying amount based on equity method			
			2012	2011	2012	2011	2012	2011
Mory Lohakit (Thailand) Co., Ltd.	Agent	Thailand	49	49	4,900	4,900	9,141	7,582



## 13.2 Share of profit and dividend received

(Unit: Thousand Baht)

Company's name	Consolidated financial statements		Separate financial statements	
	Share of profit from investments in associates during the year		Dividend received during the year	
	2012	2011	2012	2011
Mory Lohakit (Thailand) Co., Ltd.	1,623	1,397	-	-

## 13.3 Summarised financial information of associate

Financial information of the associated company is summarised below.

(Unit: Million Baht)

Company's name	Paid-up capital as at		Total assets as at		Total liabilities as at		Total revenues for the year ended		Profit for the year ended	
	31 March		31 March		31 March		31 March		31 March	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Mory Lohakit (Thailand) Co., Ltd.	10	10	20	16	1	1	9	9	3	3

## 14. Property, plant and equipment

(Unit: Thousand Baht)

	Consolidated financial statements						
	Land and land improvement	Buildings and fixture	Machinery and equipment	Furniture and office equipment	Motor Vehicles	Assets under installation and under construction	Total
<b>Cost</b>							
1 April 2010	94,261	185,426	501,201	14,594	53,859	7,289	856,630
Acquisitions	6,742	557	43,067	1,746	2,166	-	54,278
Disposals	-	-	(10,400)	(1,014)	(66)	-	(11,480)
Transfer in (out)	-	-	7,289	-	-	(7,289)	-
31 March 2011	101,003	185,983	541,157	15,326	55,959	-	899,428
Acquisitions	-	-	15,968	448	20,867	38,997	76,280
Disposals	-	-	(120)	-	(13,383)	-	(13,503)
Transfer in (out)	-	-	36,199	-	-	(36,199)	-
31 March 2012	101,003	185,983	593,204	15,774	63,443	2,798	962,205

(Unit: Thousand Baht)

## Consolidated financial statements

	Land and land improvement	Buildings and fixture	Machinery and equipment	Furniture and office equipment	Motor Vehicles	Assets under installation and under construction	Total
<b>Accumulated depreciation</b>							
1 April 2010	-	89,680	374,070	13,150	38,141	-	515,041
Depreciation for the year	-	8,768	47,471	887	6,042	-	63,168
Depreciation for disposals	-	-	(10,400)	(1,014)	(65)	-	(11,479)
31 March 2011	-	98,448	411,141	13,023	44,118	-	566,730
Depreciation for the year	-	8,443	40,201	762	6,633	-	56,039
Depreciation for disposals	-	-	(120)	-	(9,939)	-	(10,059)
31 March 2012	-	106,891	451,222	13,785	40,812	-	612,710
<b>Net book value</b>							
31 March 2011	101,003	87,535	130,016	2,303	11,841	-	332,698
31 March 2012	101,003	79,092	141,982	1,989	22,631	2,798	349,495
<b>Depreciation for the year</b>							
2011 (Baht 57.8 million included in manufacturing cost, and the balance in selling and administrative expenses)							63,168
2012 (Baht 51.1 million included in manufacturing cost, and the balance in selling and administrative expenses)							56,039

(Unit: Thousand Baht)

## Separate financial statements

	Land and land improvement	Buildings and fixtures	Machinery and equipment	Furniture and office equipment	Motor vehicles	Assets under installation and under construction	Total
<b>Cost</b>							
1 April 2010	73,062	107,224	331,373	12,869	46,021	-	570,549
Acquisitions	-	557	10,821	1,143	2	-	12,523
Disposals	-	-	(10,400)	(1,014)	(65)	-	(11,479)
31 March 2011	73,062	107,781	331,794	12,998	45,958	-	571,593
Acquisitions	-	-	2,792	400	14,409	7,048	24,649
Disposals	-	-	(120)	-	(12,676)	-	(12,796)
Transfer in (out)	-	-	5,349	-	-	(5,349)	-
31 March 2012	73,062	107,781	339,815	13,398	47,691	1,699	583,446
<b>Accumulated depreciation</b>							
1 April 2010	-	80,089	308,162	11,935	33,269	-	433,455
Depreciation for the year	-	4,858	19,395	499	4,498	-	29,250
Depreciation for disposals	-	-	(10,400)	(1,014)	(65)	-	(11,479)
31 March 2011	-	84,947	317,157	11,420	37,702	-	451,226
Depreciation for the year	-	4,523	5,926	545	4,438	-	15,432
Depreciation for disposals	-	-	(120)	-	(9,232)	-	(9,352)
31 March 2012	-	89,470	322,963	11,965	32,908	-	457,306
<b>Net book value</b>							
31 March 2011	73,062	22,834	14,637	1,578	8,256	-	120,367
31 March 2012	73,062	18,311	16,852	1,433	14,783	1,699	126,140
<b>Depreciation for the year</b>							
2011 (Baht 24.6 million included in manufacturing cost, and the balance in selling and administrative expenses)							29,250
2012 (Baht 11.0 million included in manufacturing cost, and the balance in selling and administrative expenses)							15,432

As at 31 March 2012, motor vehicles have been pledged as collateral against liabilities under finance lease agreements, amounting to Baht 14.9 million (31 March 2011: Baht 9.3 million) Separate financial statements: Baht 9.8 million (31 March 2011: Baht 6.2 million).

As at 31 March 2012, certain equipment items have been fully depreciated but are still in use. The gross carrying amount (before deducting accumulated depreciation) of those assets amounted to approximately Baht 370.8 million (31 March 2011: Baht 359.1 million).

The Company and its subsidiary have mortgaged all of their land with structures thereon and mortgaged the following machinery with values as at 31 March 2012 and 2011 with bank to secure loans and other credit facilities granted to the Company and its subsidiary by the bank.

(Unit: Thousand Baht)

Mortgaged machinery	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2012	2011	2012	2011
Cost	305.9	305.9	196.8	196.8
Net book value	41.0	51.4	-	0.2

## 15. Intangible assets

The net book value of intangible assets as at 31 March 2012 and 2011 presented below.

(Unit: Thousand Baht)

	Consolidated	Separate
	financial statements	financial statements
As at 31 March 2012:		
Cost	14,208	11,899
<u>Less</u> Accumulated amortisation	(13,831)	(11,723)
Net book value	377	176
As at 31 March 2011:		
Cost	14,208	11,899
<u>Less</u> Accumulated amortisation	(12,356)	(10,644)
Net book value	1,852	1,255

## 16. Short-term loans from financial institution

(Unit: Thousand Baht)

	Interest rate (percent per annum)	Consolidated		Separate	
		financial statements		financial statements	
		<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Short-term loans from bank	5.05	100,000	90,000	10,000	50,000
Trust receipts	5.25 - 5.85	166,172	217,047	128,671	115,444
		<u>266,172</u>	<u>307,047</u>	<u>138,671</u>	<u>165,444</u>

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

Bank overdrafts, short-term loans and trust receipts facilities are secured by the mortgage of the Company's and its subsidiary's land with structures thereon and machinery, as described in Note 14.

## 17. Trade and other payables

(Unit: Thousand Baht)

	Consolidated financial		Separate financial	
	statements		statements	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Trade payables - unrelated parties	200,309	223,507	104,706	137,528
Other payables - unrelated parties	14,293	17,856	9,168	12,427
Other payables - related party	3,514	4,262	-	-
Accrued commission expenses - unrelated parties	41	-	-	-
Accrued commission expenses - related party	29	104	29	104
Accrued expenses	4,929	4,194	2,483	2,119
Total trade and other payables	<u>223,115</u>	<u>249,923</u>	<u>116,386</u>	<u>152,178</u>

## 18. Liabilities under finance lease agreements

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Liabilities under finance lease agreements	14,766	6,212	9,252	3,676
Less : Deferred interest expenses	(1,564)	(567)	(973)	(268)
Total	13,202	5,645	8,279	3,408
Less: Portion due within one year	(3,633)	(2,301)	(2,316)	(1,542)
Liabilities under finance lease agreements - net of current portion	<u>9,569</u>	<u>3,344</u>	<u>5,963</u>	<u>1,866</u>

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

As at 31 March 2012, Future minimum lease payments required under the finance lease agreements were as follows:

(Unit: Thousand Baht)

	Less than 1 year	1-3 years	Total
Future minimum lease payments	4,678	10,088	14,766
Deferred interest expenses	(1,045)	(519)	(1,564)
Present value of future minimum lease payments	<u>3,633</u>	<u>9,569</u>	<u>13,202</u>

During the year ended 31 March 2012, the Company and its subsidiary recognised interest expenses related to the lease agreements of Baht 1.1 million in the income statement.

#### 19. Provision for long-term employee benefits

Provision for long-term employee benefits as at 31 March 2012 and 2011, which is compensations on employees' retirement, was as follows:

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
Cumulative effect of change in accounting policy for employee benefits adjusted against beginning balance of retained earnings (Note 5)	13,945	9,895
Current service cost	1,550	1,025
Interest cost	581	412
Benefits paid during the year	-	-
Balance at end of year	<u>16,076</u>	<u>11,332</u>

Long-term employee benefit expenses included in the profit or loss for the year ended 31 March 2012 amounted to Baht 2.1 million (Separate financial statements: Baht 1.4 million).

Principal actuarial assumptions at the valuation date were as follows:

	(Unit: Thousand Baht)	
	Consolidated	Separate
	financial statements	financial statements
	<u>2012</u>	<u>2012</u>
	(% per annum)	(% per annum)
Discount rate	0.07%-1.39%	0.09%-1.39%
Future salary increase rate (depending on age of employee)	3%	3%

## 20. Statutory reserve

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

As at 31 March 2012, the Company has transferred profit amounting to Baht 2.8 million (2011: Baht 4.5 million) to the statutory reserve.

## 21. Expenses by nature

Significant expenses by nature are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Salary and wages and other employee benefits	107,589	98,066	68,244	64,767
Depreciation expenses	56,039	63,168	15,432	29,250
Amortisation expenses	1,475	2,507	1,079	2,076
Raw materials used	1,912,886	1,964,809	1,473,779	1,626,666
Consumables used	33,823	35,261	28,328	29,531
Changes in inventories of finished goods and work in progress	(39,050)	(5,134)	(11,083)	2,387
Decrease of inventory to net realisable value (reversal)	3,131	(8,911)	1,537	(9,136)

## 22. Corporate income tax

Corporate income tax of the Company were calculated at the rate of 30 percent on net income for the years, after adding back certain expenses and deducting income which are not disallowable for the tax computation purposes and deducting tax loss brought forward from previous years (if any).

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

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

Corporate income tax of another subsidiary which operates the promoted operations (as described in Note 23) were calculated at the rate of 30 percent on net income of the subsidiary from non-promoted activities, after adding back certain provisions and expenses which are disallowed for tax computation purposes and deducting tax loss brought forward from previous years (if any).

### **23. Promotional Privileges**

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

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

The subsidiary's revenue for the year ended 31 March 2012 and 2011 were derived from sales and service of BOI promoted products amounted to Baht 625 million and Baht 554 million, respectively.

**24. Basic earnings per share**

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

**25. Segment information**

The Company and its subsidiaries operate in the single industry segment of distribution and provision of service related to iron and metal products and their principal operations are carried on in the single geographic area of Thailand. As a result, all of the revenues, operating income and assets as reflected in these financial statements pertain to the aforementioned industry segment and geographic area. Export sales of the years ended 31 March 2012 and 2011 amounted to Baht 52 million and Baht 65 million, respectively (Separate financial statements: Baht 28 million, 31 March 2011: Baht 39 million).

**26. Provident fund**

The Company, its subsidiaries and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Employees, the Company and its subsidiaries contributed to the fund monthly at the rate of 5% of basic salary. The fund, which is managed by SCB Asset Management Co., Ltd. will be paid to employees upon termination in accordance with the fund rules. During the year ended 31 March 2012, the Company and its subsidiaries contributed Baht 1.9 million (31 March 2011: Baht 1.6 million) (Separate financial statements: Baht 1.4 million, 31 March 2011: Baht 1.1 million) to the fund.

**27. Dividend**

Dividends	Approve by	Total dividend (Million Baht)	Dividend per Share (Baht)
Dividends for the year ended 31 March 2010	Annual General Meeting of Shareholders on 22 July 2010	48.0	0.15
Dividends for the year ended 31 March 2011	Annual General Meeting of Shareholders on 26 July 2011	70.4	0.22



## 28. Commitments and contingent liabilities

### 28.1 Operating lease commitments

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

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

	<u>Million Baht</u>
Payable:	
In up to 1 year	2.6
In over 1 and up to 5 years	1.1

### 28.2 Other service commitment

As at 31 March 2012, the Company had commitments of approximately Baht 0.6 million relating to technical assistance agreement and other service agreement.

### 28.3 Credit facilities

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

- Letter of credit, trust receipts, guarantee and short-term loan facilities totaling Baht 1,460.5 million, of which totaling Baht 201.5 million of the utilised amounts are outstanding. These credit facilities are secured by the mortgage of the Company's land with structures thereon and machinery.
- Overdraft facilities of Baht 30 million. The facilities have not yet been utilised. The credit facilities are secured by the mortgage of the Company's land with structures thereon and machinery and the pledge of fixed deposits of the Company.
- Forward exchange contract facility of Baht 1,000 million, of which Baht 44.5 million of utilised amounts is outstanding. This credit facility is secured by the mortgage of the Company's land with structures thereon and machinery.

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

- Letter of credit, trust receipts, guarantee and short-term loan facilities totaling Baht 300 million, of which totaling Baht 154.2 million of the utilised amounts are outstanding. These credit facilities are secured by the mortgage of the subsidiary's land with structures thereon and machinery.
- Overdraft facility of Baht 10 million, the facility has not yet been utilised. This credit facility is secured by the mortgage of the subsidiary's land with structures thereon.
- Forward exchange contract facility of Baht 200 million, of which Baht 42.1 million of utilised amounts is outstanding. This credit facility is secured by the mortgage of the subsidiary's land with structures thereon and machinery.

## **29. Financial instruments**

### **29.1 Financial risk management**

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

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

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

## Interest rate risk

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

Significant financial assets and liabilities as at 31 March 2012 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 2012						
	Fixed interest rate		Floating interest rate (Million Baht)	Non-interest bearing	Total	Interest rate (% p.a.)
	Within 1 year	1 - 5 years				
<b>Financial assets</b>						
Cash and cash equivalents	1.3	-	2.6	49.9	53.8	0.62-1.90
Trade and other receivables	-	-	-	541.5	541.5	-
Restricted deposit at bank	5.0	-	-	-	5.0	0.95
	<u>6.3</u>	<u>-</u>	<u>2.6</u>	<u>591.4</u>	<u>600.3</u>	
<b>Financial liabilities</b>						
Short-term loans from financial institutions	266.2	-	-	-	266.2	5.05-5.85
Trade and other payables	-	-	-	223.1	223.1	-
Financial lease payables	3.6	9.6	-	-	13.2	6.37-12.17
	<u>269.8</u>	<u>9.6</u>	<u>-</u>	<u>223.1</u>	<u>502.5</u>	
Separate financial statements as at 31 March 2012						
	Fixed interest rate		Floating interest rate (Million Baht)	Non-interest bearing	Total	Interest rate (% p.a.)
	Within 1 year	1 - 5 years				
<b>Financial assets</b>						
Cash and cash equivalents	1.3	-	2.5	41.9	45.7	0.62-1.90
Trade and other receivables	-	-	-	377.8	377.8	-
Restricted deposit at bank	5.0	-	-	-	5.0	0.95
	<u>6.3</u>	<u>-</u>	<u>2.5</u>	<u>419.7</u>	<u>428.5</u>	
<b>Financial liabilities</b>						
Short-term loans from financial institutions	138.7	-	-	-	138.7	5.05-5.85
Trade and other payables	-	-	-	116.4	116.4	-
Financial lease payables	2.3	6.0	-	-	8.3	6.37-11.54
	<u>141.0</u>	<u>6.0</u>	<u>-</u>	<u>116.4</u>	<u>263.4</u>	

**Foreign currency risk**

The Company's and subsidiaries' exposure to foreign currency risk arises mainly from sales and purchase transactions 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 2012 are summarised below.

Foreign currency	Consolidated financial statements	Separate financial statements	Average exchange rate as at 31 March 2012
	(Million)	(Million)	(Baht per 1 foreign currency unit)
<b>Financial assets</b>			
US dollar	0.1	0.1	30.60
Japanese yen	3.0	3.0	0.37
<b>Financial liabilities</b>			
US dollar	3.9	3.2	30.30 - 30.99
Japanese yen	-	-	0.37 - 0.40

Forward exchange contracts outstanding at 31 March 2012 which mature within one year are summarised below.

Foreign currency	Consolidated financial statements			
	Bought amount	Contractual exchange rate bought	Sold amount	Contractual exchange rate sold
	(Million)	(Baht per 1 foreign currency unit)	(Million)	(Baht per 1 foreign currency unit)
US dollar	2.5	30.37-31.99	0.02	30.81
Japanese yen	18.3	0.37-0.38	-	-

Foreign currency	Separate financial statements			
	Bought amount	Contractual exchange rate bought	Sold amount	Contractual exchange rate sold
	(Million)	(Baht per 1 foreign currency unit)	(Million)	(Baht per 1 foreign currency unit)
US dollar	1.4	30.37-31.54	-	-

## **29.2 Fair values of financial instruments**

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

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

## **30. Capital management**

The primary objective of the Company's capital management is to ensure that it has appropriate capital structure in order to support its business and maximise shareholder value. As at 31 March 2012, the Group's total debt-to-equity ratio was 0.54:1 (31 March 2011: 0.64:1) and the Company's total debt-to-equity ratio was 0.36:1 (31 March 2011: 0.41:1).

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

On 24 May 2012, the Company's Board of Directors passed a resolution to propose to the Annual General Meeting of Shareholders for resolution to pay a dividend of Baht 0.14 per share from the operating results for the year ended 31 March 2012.

## **32. Reclassification**

To comply with the Notification of the Department of Business Development relating to the financial statement presentation as described in Note 2 to the financial statements and as the result of the adoption of revised and new accounting standards as described in Note 3 to the financial statements, certain amounts in the financial statements for the year ended 31 March 2011 have been reclassified to conform to the current year's classification, without any effect to the previously reported profit or shareholders' equity.

## **33. Approval of financial statements**

These financial statements were authorised for issue by the Company's Board of Directors on 24 May 2012.

## Location Map of the Company

### 1. Head Office (Factory)



### 2. Sales Office







## Lohakit Metal Public Company Limited

Head Office 66/1 Moo 6 Soi Suksawas 76, Suksawas Rd, Bangjak, Prapradang, Samutprakarn 10130  
Telephone 02-463-0158 Facsimile 02-463-7299 Home Page [www.lohakit.co.th](http://www.lohakit.co.th)

The Company's branch : 889 Thai CC Tower, Room No. 167-169,  
16<sup>th</sup> Floor, South Sathorn Rd, Sathorn, Bangkok 10120 Telephone 02-673-9559 Facsimile 02-673-9577-8