

Pacific Pipe Public Company Limited and its subsidiaries
Report and consolidated interim financial statements
For the three-month and nine-month periods ended
30 September 2013

Independent Auditor's Report on Review of Interim Financial Information

To the Shareholders of Pacific Pipe Public Company Limited

I have reviewed the accompanying consolidated statement of financial position of Pacific Pipe Public Company Limited and its subsidiaries as at 30 September 2013, the related consolidated statements of comprehensive income for the three-month and nine-month periods ended 30 September 2013, and the related consolidated statements of changes in shareholders' equity and cash flows for the nine-month period then ended, as well as the condensed notes to the consolidated financial statements. I have also reviewed the separate financial information of Pacific Pipe Public Company Limited for the same period. Management is responsible for the preparation and presentation of this interim financial information in accordance with Thai Accounting Standard 34 *Interim Financial Reporting*. My responsibility is to express a conclusion on this interim financial information based on my review.

Scope of Review

I conducted my review in accordance with Thai Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Thai Standards on Auditing and consequently does not enable me to obtain assurance that I would become aware of all significant matters that might be identified in an audit. Accordingly, I do not express an audit opinion.

Conclusion

Based on my review, nothing has come to my attention that causes me to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with Thai Accounting Standard 34 *Interim Financial Reporting*.

Emphasis of matter

I draw attention to Note 2 to the financial statements regarding the change in accounting policy as the result of adoption of Thai Accounting Standard 12 Income Taxes. My conclusion is not qualified in respect of this matter.

Chonlaros Suntiasvaraporn

Certified Public Accountant (Thailand) No. 4523

Ernst & Young Office Limited

Bangkok: 13 November 2013

Pacific Pipe Public Company Limited and its subsidiaries

Statement of financial position (continued)

As at 30 September 2013

(Unit: Thousand Baht)

	Note	Consolidated financial statements			Separate financial statements		
		30 September 2013	31 December 2012	1 January 2012	30 September 2013	31 December 2012	1 January 2012
		(Unaudited but reviewed)	(Audited) (Restated)		(Unaudited but reviewed)	(Audited) (Restated)	
Liabilities and shareholders' equity							
Current liabilities							
Short-term loans from financial institutions	8	1,230,268	1,774,607	1,370,913	1,230,268	1,774,607	1,370,913
Trade and other payables	10	241,606	117,518	65,756	237,898	119,957	69,597
Short-term loan from related party	3	-	75,000	-	-	75,000	-
Current portion of long-term loan							
from related party	3	-	1,471	3,420	-	-	-
Income tax payable		21,631	45,419	27,954	17,634	37,384	20,307
Other current liabilities		40,971	27,401	48,963	40,009	20,962	45,675
Total current liabilities		1,534,476	2,041,416	1,517,006	1,525,809	2,027,910	1,506,492
Non-current liabilities							
Long-term loan from related party,							
net of current portion	3	100,000	-	1,471	100,000	-	-
Deferred tax liabilities	2	873	-	-	873	-	-
Provision for long-term employee benefits	11	13,159	12,418	12,039	10,524	10,055	9,435
Total non-current liabilities		114,032	12,418	13,510	111,397	10,055	9,435
Total liabilities		1,648,508	2,053,834	1,530,516	1,637,206	2,037,965	1,515,927

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

Pacific Pipe Public Company Limited and its subsidiaries

Statement of financial position (continued)

As at 30 September 2013

(Unit: Thousand Baht)

	Consolidated financial statements			Separate financial statements		
	30 September 2013	31 December 2012	1 January 2012	30 September 2013	31 December 2012	1 January 2012
	(Unaudited but reviewed)	(Audited (Restated))		(Unaudited but reviewed)	(Audited (Restated))	
Shareholders' equity						
Share capital						
Registered						
660,000,000 ordinary shares of Baht 1 each	660,000	660,000	660,000	660,000	660,000	660,000
Issued and fully paid up						
660,000,000 ordinary shares of Baht 1 each	660,000	660,000	660,000	660,000	660,000	660,000
Share premium						
Share premium on ordinary shares	514,845	514,845	514,845	514,845	514,845	514,845
Surplus on treasury shares	1,011	1,011	1,011	1,011	1,011	1,011
Retained earnings						
Appropriated - statutory reserve	67,000	67,000	67,000	67,000	67,000	67,000
Unappropriated	922,154	764,576	684,970	747,389	618,886	585,413
Total shareholders' equity	2,165,010	2,007,432	1,927,826	1,990,245	1,861,742	1,828,269
Total liabilities and shareholders' equity	3,813,518	4,061,266	3,458,342	3,627,451	3,899,707	3,344,196
	-	-	-	-	-	-

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

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Directors
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(Unaudited but reviewed)

Pacific Pipe Public Company Limited and its subsidiaries

Statement of comprehensive income

For the three-month period ended 30 September 2013

(Unit: Thousand Baht, except earnings per share expressed in Baht)

		<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>Note</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
			(Restated)		(Restated)
Profit or loss:					
Revenues					
Sales and service income	3	1,910,178	1,842,863	1,893,021	1,828,467
Exchange gain		13,383	6,543	13,383	6,543
Dividend income	3	-	-	24,427	-
Other income		43,016	44,272	41,617	44,113
Total revenues		<u>1,966,577</u>	<u>1,893,678</u>	<u>1,972,448</u>	<u>1,879,123</u>
Expenses					
Cost of sales and services		1,723,623	1,705,676	1,720,369	1,705,170
Selling expenses		36,234	33,214	49,237	47,485
Administrative expenses		50,641	57,022	44,785	48,903
Total expenses		<u>1,810,498</u>	<u>1,795,912</u>	<u>1,814,391</u>	<u>1,801,558</u>
Profit before finance cost and income tax expenses		156,079	97,766	158,057	77,565
Finance cost		(12,430)	(15,603)	(12,234)	(15,394)
Profit before income tax expenses		143,649	82,163	145,823	62,171
Income tax expenses	12	(29,080)	(19,179)	(24,255)	(14,515)
Profit for the period		<u>114,569</u>	<u>62,984</u>	<u>121,568</u>	<u>47,656</u>
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		<u>114,569</u>	<u>62,984</u>	<u>121,568</u>	<u>47,656</u>
Earnings per share					
Basic earnings per share					
Profit for the period	13	<u>0.17</u>	<u>0.10</u>	<u>0.18</u>	<u>0.07</u>

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

(Unaudited but reviewed)

Pacific Pipe Public Company Limited and its subsidiaries

Statement of comprehensive income

For the nine-month period ended 30 September 2013

(Unit: Thousand Baht, except earnings per share expressed in Baht)

		<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>Note</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
			(Restated)		(Restated)
Profit or loss:					
Revenues					
Sales and service income	3	5,677,500	5,241,602	5,627,970	5,181,625
Dividend income	3	-	-	24,427	-
Other income		138,720	118,056	135,937	134,304
Total revenues		<u>5,816,220</u>	<u>5,359,658</u>	<u>5,788,334</u>	<u>5,315,929</u>
Expenses					
Cost of sales and services		5,081,538	4,864,060	5,076,224	4,863,490
Selling expenses		102,832	97,443	141,477	131,231
Administrative expenses		165,427	157,098	147,758	139,944
Exchange loss (gain)		<u>22,258</u>	<u>(15,382)</u>	<u>22,258</u>	<u>(15,382)</u>
Total expenses		<u>5,372,055</u>	<u>5,103,219</u>	<u>5,387,717</u>	<u>5,119,283</u>
Profit before finance cost					
and income tax expenses		444,165	256,439	400,617	196,646
Finance cost		<u>(44,580)</u>	<u>(47,073)</u>	<u>(43,997)</u>	<u>(46,403)</u>
Profit before income tax expenses		399,585	209,366	356,620	150,243
Income tax expenses	12	<u>(76,996)</u>	<u>(48,719)</u>	<u>(63,118)</u>	<u>(34,806)</u>
Profit for the period		<u>322,589</u>	<u>160,647</u>	<u>293,502</u>	<u>115,437</u>
Other comprehensive income for the period		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the period		<u>322,589</u>	<u>160,647</u>	<u>293,502</u>	<u>115,437</u>
Earnings per share					
Basic earnings per share					
Profit for the period	13	<u>0.49</u>	<u>0.24</u>	<u>0.44</u>	<u>0.17</u>

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

(Unaudited but reviewed)

Pacific Pipe Public Company Limited and its subsidiaries**Cash flow statement****For the nine-month period ended 30 September 2013**

(Unit: Thousand Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Cash flows from operating activities				
Profit before tax	399,585	209,366	356,620	150,243
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	80,163	75,871	74,673	70,646
Allowance for doubtful accounts (reversal)	(209)	1,381	(129)	1,301
Decrease of inventory to net realisable value (reversal)	10,713	(4,265)	10,713	(4,265)
Loss on write-off/disposals of equipment	318	179	188	177
Write-off of intangible assets	-	983	-	983
Provision for long-term employee benefits	1,211	1,127	939	874
Unrealised loss (gain) on exchange	134	(4,667)	134	(4,667)
Dividend income	-	-	(24,427)	-
Interest income	(952)	(1,493)	(657)	(1,268)
Interest expenses	43,023	44,251	43,006	44,124
Profit from operating activities before changes in operating assets and liabilities	533,986	322,733	461,060	258,148
Operating assets (increase) decrease				
Trade and other receivables	(82,473)	(213,052)	(70,599)	(181,477)
Inventories	66,227	102,408	97,342	105,173
Advance for raw material	259,609	20,380	259,609	20,380
Other current assets	35,736	(8,851)	36,146	(8,655)
Other non-current assets	-	(2)	-	-
Operating liabilities increase (decrease)				
Trade and other payables	125,846	93,889	119,699	97,221
Other current liabilities	13,570	(2,951)	19,048	(3,643)
Other non-current liabilities	(470)	(580)	(470)	-
Cash flows from operating activities	952,031	313,974	921,835	287,147
Cash paid for interest expenses	(44,781)	(43,495)	(44,764)	(43,368)
Cash paid for corporate income tax	(98,810)	(55,658)	(80,854)	(38,083)
Net cash flows from operating activities	808,440	214,821	796,217	205,696

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

(Unaudited but reviewed)

Pacific Pipe Public Company Limited and its subsidiaries

Cash flow statement (continued)

For the nine-month period ended 30 September 2013

(Unit: Thousand Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Cash flows from investing activities				
Increase in restricted bank deposits	-	66,169	-	66,169
Acquisition of property, plant and equipment	(84,010)	(100,299)	(76,072)	(89,451)
Acquisition of intangible assets	(802)	(3,898)	(802)	(3,860)
Dividend income	-	-	24,427	-
Interest income	734	1,574	438	1,349
Proceeds from sales of equipment	20	150	20	150
Net cash flows used in investing activities	<u>(84,058)</u>	<u>(36,304)</u>	<u>(51,989)</u>	<u>(25,643)</u>
Cash flows from financing activities				
Increase (decrease) in short-term loans				
from financial institutions	(544,426)	14,874	(544,426)	14,874
Cash receipt from loans from related party	100,000	75,000	100,000	75,000
Repayment of loans from related party	(76,471)	(2,550)	(75,000)	-
Dividend paid	(165,011)	(178,200)	(164,999)	(178,200)
Net cash flows used in financing activities	<u>(685,908)</u>	<u>(90,876)</u>	<u>(684,425)</u>	<u>(88,326)</u>
Net increase in cash and cash equivalents	38,474	87,641	59,803	91,727
Cash and cash equivalents at beginning of period	<u>287,435</u>	<u>149,084</u>	<u>160,240</u>	<u>47,873</u>
Cash and cash equivalents at end of period	<u><u>325,909</u></u>	<u><u>236,725</u></u>	<u><u>220,043</u></u>	<u><u>139,600</u></u>
	-		-	

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

(Unaudited but reviewed)

Pacific Pipe Public Company Limited and its subsidiaries

Statement of changes in shareholders' equity

For the nine-month period ended 30 September 2013

(Unit: Thousand Baht)

	Consolidated financial statements					Total shareholders' equity
	Issued and fully paid-up share capital	Share premium	Surplus on treasury shares	Retained earnings		
				Appropriated	Unappropriated	
Balance as at 31 December 2011 - as previously reported	660,000	514,845	1,011	67,000	672,983	1,915,839
Cumulative effect of change in accounting policy for deferred tax (Note 2)	-	-	-	-	11,987	11,987
Balance as at 31 December 2011 - as restated	660,000	514,845	1,011	67,000	684,970	1,927,826
Dividend paid (Note 14)	-	-	-	-	(178,200)	(178,200)
Total comprehensive income for the period - restated	-	-	-	-	160,647	160,647
Balance as at 30 September 2012 - as restated	<u>660,000</u>	<u>514,845</u>	<u>1,011</u>	<u>67,000</u>	<u>667,417</u>	<u>1,910,273</u>
Balance as at 31 December 2012 - as previously reported	660,000	514,845	1,011	67,000	759,813	2,002,669
Cumulative effect of change in accounting policy for deferred tax (Note 2)	-	-	-	-	4,763	4,763
Balance as at 31 December 2012 - as restated	660,000	514,845	1,011	67,000	764,576	2,007,432
Dividend paid (Note 14)	-	-	-	-	(165,011)	(165,011)
Total comprehensive income for the period	-	-	-	-	322,589	322,589
Balance as at 30 September 2013	<u>660,000</u>	<u>514,845</u>	<u>1,011</u>	<u>67,000</u>	<u>922,154</u>	<u>2,165,010</u>

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

(Unaudited but reviewed)

Pacific Pipe Public Company Limited and its subsidiaries

Statement of changes in shareholders' equity (continued)

For the nine-month period ended 30 September 2013

(Unit: Thousand Baht)

	Separate financial statements					Total shareholders' equity
	Issued and fully paid-up share capital	Share premium	Surplus on treasury shares	Retained earnings		
				Appropriated	Unappropriated	
Balance as at 31 December 2011 - as previously reported	660,000	514,845	1,011	67,000	577,095	1,819,951
Cumulative effect of change in accounting policy for deferred tax (Note 2)	-	-	-	-	8,318	8,318
Balance as at 31 December 2011 - as restated	660,000	514,845	1,011	67,000	585,413	1,828,269
Dividend paid (Note 14)	-	-	-	-	(178,200)	(178,200)
Total comprehensive income for the period - restated	-	-	-	-	115,437	115,437
Balance as at 30 September 2012 - as restated	<u>660,000</u>	<u>514,845</u>	<u>1,011</u>	<u>67,000</u>	<u>522,650</u>	<u>1,765,506</u>
Balance as at 31 December 2012 - as previously reported	660,000	514,845	1,011	67,000	617,746	1,860,602
Cumulative effect of change in accounting policy for deferred tax (Note 2)	-	-	-	-	1,140	1,140
Balance as at 31 December 2012 - as restated	660,000	514,845	1,011	67,000	618,886	1,861,742
Dividend paid (Note 14)	-	-	-	-	(164,999)	(164,999)
Total comprehensive income for the period	-	-	-	-	293,502	293,502
Balance as at 30 September 2013	<u>660,000</u>	<u>514,845</u>	<u>1,011</u>	<u>67,000</u>	<u>747,389</u>	<u>1,990,245</u>

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

Pacific Pipe Public Company Limited and its subsidiaries

Notes to consolidated interim financial statements

For the three-month and nine-month periods ended 30 September 2013

1. General information

1.1 Corporate information

Pacific Pipe Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. Its major shareholder is Tang Mong Seng Holding Company Limited, which was incorporated in Thailand. The Company is principally engaged in manufacturing and distribution of steel pipes for construction work. The registered office of the Company is at 298, 298/2, Soi Klabcharoen, Suksawat Road, Tambon Pakklongbangplakod, Amphur Phrasamutjedi, Samutprakarn.

1.2 Basis for the preparation of interim financial statements

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

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

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

1.3 Basis of consolidation

The consolidated interim financial statements included the financial statements of the Company and its subsidiaries (“the Group”) and have been prepared on the same basis as that applied for the consolidated financial statements for the year ended 31 December 2012. There has been no change in the composition of the Group during the current period.

1.4 New accounting standards

Below is a summary of accounting standards that became effective in the current accounting period and those that will become effective in the future.

(a) Accounting standards that became effective in the current accounting period

Accounting standards:

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

Financial Reporting Standard:

TFRS 8	Operating Segments
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Accounting Standard Interpretations:

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

Accounting Treatment Guidance for Transfers of Financial Assets

These accounting standards, financial reporting standard, accounting standard interpretations and accounting treatment guidance do not have any significant impact on the financial statements, except for the following accounting standard.

TAS 12 *Income Taxes*

This accounting standard requires an entity to identify temporary differences between the carrying amount of an asset or liability in the statement of financial position and its tax base and recognise the tax effects as deferred tax assets or liabilities subjecting to certain recognition criteria. The Company and its subsidiaries have changed this accounting policy in the first quarter of the current year and restated the prior year's financial statements, presented as comparative information, as though the Company and its subsidiaries had initially recognised the tax effects as deferred tax assets or liabilities. The cumulative effect of this change in accounting policy has been presented in Note 2 to the financial statements.

(b) Accounting standards that will become effective in the future

	<u>Effective date</u>
Accounting Standard:	
TAS 12 (revised 2012) Income taxes	1 January 2014
Financial Reporting Standard:	
TFRS 4 Insurance Contracts	1 January 2016
Accounting Standard Interpretations:	
TSIC 15 Operating Leases - Incentives	1 January 2014
TSIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease	1 January 2014
TSIC 29 Service Concession Arrangements: Disclosures	1 January 2014
TSIC 32 Intangible Assets - Web Site Costs	1 January 2014
Financial Reporting Standard Interpretations:	
TFRIC 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 January 2014
TFRIC 4 Determining whether an Arrangement contains a Lease	1 January 2014
TFRIC 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 January 2014
TFRIC 7 Applying the Restatement Approach under <i>TAS 29 Financial Reporting in Hyperinflationary Economies</i>	1 January 2014
TFRIC 10 Interim Financial Reporting and Impairment	1 January 2014
TFRIC 12 Service Concession Arrangements	1 January 2014
TFRIC 13 Customer Loyalty Programmes	1 January 2014
TFRIC 17 Distributions of Non-cash Assets to Owners	1 January 2014
TFRIC 18 Transfers of Assets from Customers	1 January 2014

The management of the Company has assessed the effect of the above accounting standard, financial reporting standard, accounting standard interpretations and financial reporting standard interpretations and believes that they are not relevant to the business of the Company, except TAS 12 (revised 2012), which the management believes that they will not have any effect to the financial statements of the year in which they are initially applied.

1.5 Significant accounting policies

The interim financial statements are prepared using the same accounting policies and methods of computation as were used for the financial statements for the year ended 31 December 2012, except for the change in the accounting policy due to the adoption of TAS 12 *Income Taxes* as follow:

Income tax

Income tax expense represents the sum of corporate income tax currently payable and deferred tax.

Current tax

Current 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.

Deferred tax

Deferred income tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting period.

The Company and its subsidiaries recognise deferred tax liabilities for all taxable temporary differences while they recognise deferred tax assets for all deductible temporary differences and tax losses carried forward to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax losses carried forward can be utilised.

At each reporting date, the Company and its subsidiaries review and reduce the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

The Company and its subsidiaries record deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

2. Cumulative effect of the change in accounting policies due to the adoption of new accounting standard

During the first quarter of the current year, the Company and its subsidiaries made the change described in Note 1.5 to the financial statements to their significant accounting policies, as a result of the adoption of TAS 12 *Income Taxes*. 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 statements of financial position and the statements of comprehensive income are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements			Separate financial statements		
	As at	As at	As at	As at	As at	As at
	30 September 2013	31 December 2012	1 January 2012	30 September 2013	31 December 2012	1 January 2012
Statements of financial position						
Increase in deferred tax assets	3,662	4,763	11,987	-	1,140	8,318
Increase in deferred tax liabilities	873	-	-	873	-	-
Increase (decrease) in unappropriated retained earnings	2,789	4,763	11,987	(873)	1,140	8,318

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	For the three-month period ended	For the three-month period ended	For the three-month period ended	For the three-month period ended
	30 September 2013	30 September 2012	30 September 2013	30 September 2012
Statements of comprehensive income				
Profit or loss:				
Increase (decrease) in income tax	6,173	333	6,183	351
Increase (decrease) in profit for the period	(6,173)	(333)	(6,183)	(351)
Increase (decrease) in basic earnings per share (Baht / share)	(0.009)	(0.001)	(0.009)	(0.001)

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	For the nine-month period ended	For the nine-month period ended	For the nine-month period ended	For the nine-month period ended
	30 September 2013	30 September 2012	30 September 2013	30 September 2012
Statements of comprehensive income				
Profit or loss:				
Increase (decrease) in income tax	1,974	3,402	2,013	3,352
Increase (decrease) in profit for the period	(1,974)	(3,402)	(2,013)	(3,352)
Increase (decrease) in basic earnings per share (Baht / share)	(0.003)	(0.005)	(0.003)	(0.005)

3. Related party transactions

The followings are relationships between the Company and related parties.

Name of entities	Nature of relationships
Tang Mong Seng Holding Company Limited	Major shareholder, 39.05% shareholding
Tamose Trading Company Limited	Subsidiary, 99.94% shareholding, all directors are representatives of the Company
Meesup Transport Company Limited	Subsidiary, 99.97% shareholding, all directors are representatives of the Company
Key management personnel	Persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the Group.

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

(Unit: Million Baht)

	For the three-month periods ended 30 September				Transfer Pricing Policy
	Consolidated		Separate		
	financial statements	financial statements	financial statements	financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	
<u>Transactions with subsidiary companies</u>					
(eliminated from the consolidated financial statements)					
Sales of goods	-	-	890.0	820.5	<i>Reference to market price</i>
Rental income	-	-	0.2	0.2	<i>Contract price</i>
Service income	-	-	0.2	0.2	<i>Contract price</i>
Commission paid	-	-	19.2	19.1	<i>Contract price</i>
Transportation expenses	-	-	23.3	19.8	<i>Reference to market price</i>
<u>Transactions with related party</u>					
Interest expenses	1.2	0.7	1.3	0.6	<i>4, 4.5 and MLR-1.5 percent per annum</i>
Office rental and service expenses	0.8	0.8	-	-	<i>Contract price</i>
<u>Transaction with related persons</u>					
Land rental	0.9	0.9	0.9	0.9	<i>Contract price</i>

(Unaudited but reviewed)

(Unit: Million Baht)

	For the nine-month periods ended 30 September				Transfer Pricing Policy
	Consolidated		Separate		
	financial statements		financial statements		
	2013	2012	2013	2012	
<u>Transactions with subsidiary companies</u>					
(eliminated from the consolidated financial statements)					
Sales of goods	-	-	2,669.7	2,374.7	Reference to market price
Rental income	-	-	0.5	0.5	Contract price
Service income	-	-	0.6	0.6	Contract price
Commission paid	-	-	56.4	51.4	Contract price
Transportation expenses	-	-	65.4	53.6	Reference to market price
<u>Transactions with related party</u>					
Interest expenses	2.8	0.7	2.8	0.6	4, 4.5 and MLR-1.5 percent per annum
Office rental and service expenses	2.4	2.4	-	-	Contract price
<u>Transaction with related persons</u>					
Land rental	2.5	2.5	2.5	2.5	Contract price

The balances of the accounts as at 30 September 2013 and 31 December 2012 between the Company and those related parties are as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	30 September	31 December	30 September	31 December
	2013	2012	2013	2012
<u>Trade receivables - related parties (Note 4)</u>				
Tamose Trading Company Limited	-	-	285,300	221,299
Meesup Transport Company Limited	-	-	7	-
Total trade receivables - related parties	-	-	285,307	221,299
<u>Other receivables - related parties (Note 4)</u>				
Tamose Trading Company Limited	-	-	558	-
Meesup Transport Company Limited	-	-	89	-
Total other receivables - related parties	-	-	647	-
<u>Other payables - related parties (Note 10)</u>				
Tamose Trading Company Limited	-	-	14,338	12,641
Meesup Transport Company Limited	-	-	3,997	2,692
Directors	2,490	-	2,490	-
Total other payables - related parties	2,490	-	20,825	15,333

Loans from related party

As at 30 September 2013 and 31 December 2012, the balances of short-term and long-term loans from related company and the movement are as follows:

(Unit: Thousand Baht)

	Separate financial statements			Balance as at 30 September 2013
	Balance as at	Movement during the period		
	31 December 2012	Increase	Decrease	
<u>Short-term loan</u>				
Tang Mong Seng Holding Company Limited	75,000	-	(75,000)	-
<u>Long-term loan</u>				
Tang Mong Seng Holding Company Limited	-	100,000	-	100,000

Short-term loan represents loan that the Company has borrowed from Tang Mong Seng Holding Company Limited, carrying interest at a rate of 4 percent per annum (2012: 4 percent per annum). This loan is unsecured and due for repayment in July 2013. During the current quarter, the Company had fully paid the loan.

Long-term loan represents loan that the Company has borrowed from Tang Mong Seng Holding Company Limited, carrying interest at a rate of MLR - 1.5% (MLR of a commercial bank). This loan is unsecured and due for repayment in July 2018.

(Unit: Thousand Baht)

	Consolidated financial statements			Balance as at 30 September 2013
	Balance as at	Movement during the period		
	31 December 2012	Increase	Decrease	
<u>Long-term loan</u>				
<u>The Company</u>				
Tang Mong Seng Holding Company Limited	-	100,000	-	100,000
<u>Subsidiary</u>				
Tang Mong Seng Holding Company Limited	1,471	-	(1,471)	-
	1,471	100,000	(1,471)	100,000

Long-term loan of the subsidiary represents loan that the subsidiary has borrowed from Tang Mong Seng Holding Company Limited. This loan carries interest at a rate of 4.5 percent per annum (2012: 4.5 percent per annum) and to be repaid on a monthly basis for 36 months from the contract date. The loan is secured by the pledge of the subsidiary's vehicles. During the second quarter of the current year, the subsidiary had fully paid the loan.

Dividend income

During the current quarter, the Company recognised dividend income from Tamose Trading Company Limited and Meesup Transport Company Limited of Baht 18.0 million and Baht 6.4 million, respectively, in the separate financial statements.

Directors and management's benefits

During the nine-month periods ended 30 September 2013 and 2012, the Company and its subsidiaries had employee benefit expenses payable to their directors and management as below.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Short-term employee benefits	24,859	23,758	21,166	20,776
Post-employment benefits	911	565	840	454
Total	<u>25,770</u>	<u>24,323</u>	<u>22,006</u>	<u>21,230</u>

Guarantee obligations with related party

The Company has outstanding guarantee obligations with its related party, as described in Note 15 to the financial statements.

4. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	30 September	31 December	30 September	31 December
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<u>Trade receivables - related parties</u>				
Aged on the basis of due dates				
Not yet due	-	-	229,057	175,410
Past due				
Up to 3 months	-	-	56,250	45,889
Total trade receivables - related parties (Note 3)	<u>-</u>	<u>-</u>	<u>285,307</u>	<u>221,299</u>
<u>Trade receivables - unrelated parties</u>				
Aged on the basis of due dates				
Not yet due	580,324	449,783	317,981	264,598
Past due				
Up to 3 months	100,146	138,224	63,055	101,598
3 - 6 months	482	2,064	266	2,135
6 - 12 months	-	8,820	-	6,623
Over 12 months	24,651	24,285	8,023	8,473
Total	<u>705,603</u>	<u>623,176</u>	<u>389,325</u>	<u>383,427</u>
Less: Allowance for doubtful debts	<u>(23,235)</u>	<u>(23,444)</u>	<u>(7,560)</u>	<u>(7,689)</u>
Total trade receivables - unrelated parties, net	<u>682,368</u>	<u>599,732</u>	<u>381,765</u>	<u>375,738</u>
Total trade receivables - net	<u>682,368</u>	<u>599,732</u>	<u>667,072</u>	<u>597,037</u>
<u>Other receivables</u>				
Other receivables - related parties	-	-	647	-
Total other receivables - related parties (Note 3)	<u>-</u>	<u>-</u>	<u>647</u>	<u>-</u>
Total trade and other receivables - net	<u>682,368</u>	<u>599,732</u>	<u>667,719</u>	<u>597,037</u>

5. Inventories

Movements in the reduce cost of inventory to net realisable value account during the nine-month period ended 30 September 2013 are summarised below.

	(Unit: Thousand Baht) Consolidated / Separate financial statements
Balance as at 1 January 2013	10,230
Add: Record during the period	10,713
Balance as at 30 September 2013	20,943

6. Advance for raw material

	(Unit: Thousand Baht) Consolidated / Separate financial statements	
	30 September 2013	31 December 2012
Advance for raw material	111,387	370,996
Less: Allowance for impairment	(18,000)	(18,000)
	93,387	352,996

The advance payment for raw materials included advance cash payment of Baht 29 million (31 December 2012: Baht 33 million) to purchase raw materials from a supplier. However, the supplier was unable to deliver the raw materials to the Company during the year 2011. Subsequently, the Company negotiated a revised delivery schedule but the supplier failed to meet the schedule again and stopped delivering the goods to the Company from June 2012 onwards. However, the Company has already set up allowance for impairment of Baht 18 million into accounts.

From the causes above, the supplier has negotiated with the Company how to settle the advance for raw materials. In April 2013, the Company and the supplier entered into a settlement agreement to repayment the outstanding within 3 years. The Company's management does not expect to incur losses in excess of the impairment loss as recorded in the financial statements.

7. Property, plant and equipment

Movements of the property, plant and equipment account during the nine-month period ended 30 September 2013 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated	Separate
	financial statements	financial statements
Net book value as at 1 January 2013	1,079,830	1,041,587
Acquisitions during the period - at cost	84,010	76,072
Disposals during the period - net book value at disposal date	(338)	(208)
Depreciation for the period	(77,081)	(71,618)
Net book value as at 30 September 2013	1,086,421	1,045,833

8. Short-term loans from financial institutions

	(Unit: Thousand Baht)		
	Interest rate	Consolidated / Separate financial statements	
	(Percent per annum)	30 September 2013	31 December 2012
Short-term loans from financial institutions	3.33 - 3.47	1,221,273	1,469,778
Trust receipt	2.23	8,995	304,829
		1,230,268	1,774,607

The credit facilities agreement of the Company contain covenants that, among other things, required the Company to be restricted on the disposal of its assets or the creation of lien thereon without prior consent from banks, the maintenance of certain debt to equity and debt service coverage ratios according to the agreement.

9. Long-term credit facilities

During the current quarter, the Company entered into a long-term loan agreement with a commercial bank. The long-term credit facility is Baht 650 million. As at 30 September 2013, the Company has not yet drawn down this long-term loan.

The long-term loan agreement of the Company contains covenants that, among other things, required the Company to be restricted on the disposal of its assets or the creation of lien thereon without prior consent from banks, the maintenance of certain debt to equity and debt service coverage ratios according to the agreement.

(Unaudited but reviewed)

10. Trade and other payables

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	30 September 2013	31 December 2012	30 September 2013	31 December 2012
Trade payables - unrelated parties	151,383	26,624	142,806	24,892
Other payables - related parties (Note 3)	2,490	-	20,825	15,333
Other payables - unrelated parties	52,518	46,744	47,359	44,031
Accrued expenses	35,215	44,150	26,908	35,701
Total trade and other payables	241,606	117,518	237,898	119,957

11. Provision for long-term employee benefits

	(Unit: Thousand Baht)	
	Consolidated	Separate
	financial statements	financial statements
Balance as at 1 January 2013	12,418	10,055
Add: Recognition during the period	1,211	939
Less: Benefits paid during the period	(470)	(470)
Balance as at 30 September 2013	13,159	10,524

12. Income tax

Interim corporate income tax was calculated on profit before income tax for the period, using the estimated effective tax rate for the year.

Income tax expenses for the three-month and nine-month periods ended 30 September 2013 and 2012 are made up as follows:

	(Unit: Thousand Baht)			
	For the three-month periods ended 30 September			
	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
		(Restated)		(Restated)
Current income tax:				
Interim corporate income tax charge	22,907	18,846	18,072	14,164
Deferred tax:				
Relating to origination and reversal of temporary differences	6,173	333	6,183	351
Income tax expenses reported in the statements of comprehensive income	29,080	19,179	24,255	14,515

15. Commitments and contingent liabilities

15.1 Capital commitments

As at 30 September 2013, the Company had capital commitments of approximately EUR 1.6 million, USD 0.9 million and Baht 17.2 million, relating to purchases of machinery and software system development and construction consultant (31 December 2012: Baht 2.7 million).

15.2 Letters of credit

The Company had commitments under letters of credit with overseas suppliers amounting to approximately USD 0.4 million (31 December 2012: USD 16.6 million).

15.3 Operating lease commitments

The Company and its subsidiaries had entered into several lease agreements in respect of the lease of land and motor vehicles with related parties and other companies. The terms of the agreements were generally between 3 and 10 years.

The Company and its subsidiaries have future minimum lease payments required under these non-cancellable operating leases contracts as follows.

	(Unit: Million Baht)			
	Related parties		Unrelated parties	
	30 September 2013	31 December 2012	30 September 2013	31 December 2012
Payable within :				
Less than 1 year	7.6	6.2	2.4	1.9
In over 1 and up to 3 years	7.3	2.2	1.6	2.9

15.4 Guarantees

- (1) As at 30 September 2013, there were outstanding bank guarantees of approximately Baht 48.2 million (31 December 2012: Baht 22.0 million) issued by banks on behalf of the Company in respect of certain performance bonds as required in the normal course of business. These included letters of guarantee amounting to Baht 35.0 million (31 December 2012: Baht 9.0 million) to guarantee payments due to Customs Department, Baht 12.2 million (31 December 2012: Baht 12.0 million) to guarantee electricity use and Baht 1.0 million (31 December 2012: Baht 1.0 million) to guarantee as a Gold Card importer and exporter to the Customs Department.
- (2) The Company guaranteed credit card facility of its subsidiary company amounting to Baht 1.0 million (31 December 2012: Baht 1.0 million).

16. Segment information

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance. The chief operating decision maker has been identified as Managing Director.

The one main reportable operating segment of the Company and its subsidiaries is the manufacture and distribution of steel pipes for construction work for both domestic and export markets and the single geographical area of their operations is Thailand. Segment performance is measured based on operating profit or loss, on a basis consistent with that used to measure operating profit or loss in the financial statements. As a result, all of the revenues, operating profits and assets as reflected in these financial statements pertain to the aforementioned reportable operating segment and geographical area.

For the three-month and nine-month periods ended 30 September 2013, export sales of the Company and its subsidiaries represented approximately 1.3 percent and 1.9 percent (30 September 2012: 2.7 percent and 5.2 percent) of total sales. The export sales of the Company only for the three-month and nine-month periods then ended represented approximately 1.2 percent and 1.8 percent (30 September 2012: 2.7 percent and 5.2 percent) of the Company's sales.

17. Foreign currency risk

As at 30 September 2013, the Company has financial assets and financial liabilities denominated in foreign currency which mature within one year as follows:

Foreign currency	Financial assets		Financial liabilities		Average exchange rate	
	30 September 2013	31 December 2012	30 September 2013	31 December 2012	30 September 2013	31 December 2012
	(Million)	(Million)	(Million)	(Million)	(Baht per 1 foreign currency unit)	
US dollar	0.4	0.7	0.3	9.9	31.3415	30.5824

18. Reclassification

(Unit: Thousand Baht)

	Consolidated financial statements			
	As at 31 December 2012		As at 1 January 2012	
	As reclassified	As previously reported	As reclassified	As previously reported
Property, plant and equipment	1,079,830	1,071,036	1,046,892	1,038,098
Intangible assets	35,006	43,800	36,465	45,259

(Unaudited but reviewed)

(Unit: Thousand Baht)

	Separate financial statements			
	As at 31 December 2012		As at 1 January 2012	
	As reclassified	As previously reported	As reclassified	As previously reported
Property, plant and equipment	1,041,587	1,032,793	1,014,552	1,005,758
Intangible assets	34,898	43,692	36,360	45,154

The reclassifications had no effect to previously reported profit or shareholders' equity.

19. Approval of interim financial statements

These interim financial statements were authorised for issue by the Company's Board of Directors on 13 November 2013.