

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 2015

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 2015, the related consolidated statements of comprehensive income for the three-month and nine-month periods ended 30 September 2015, 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*.

Chonlaros Suntiasvaraporn
Certified Public Accountant (Thailand) No. 4523

EY Office Limited
Bangkok: 11 November 2015

Pacific Pipe Public Company Limited and its subsidiaries

Statement of financial position

As at 30 September 2015

(Unit: Thousand Baht)

| | <u>Consolidated financial statements</u> | | <u>Separate financial statements</u> | | |
|---------------------------------|--|-----------------------------|--------------------------------------|-----------------------------|-------------------------|
| | <u>Note</u> | <u>30 September 2015</u> | <u>31 December 2014</u> | <u>30 September 2015</u> | <u>31 December 2014</u> |
| | | (Unaudited but reviewed) | (Audited) | (Unaudited but reviewed) | (Audited) |
| Assets | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | | 424,700 | 331,680 | 285,168 | 184,441 |
| Trade and other receivables | 3 | 615,873 | 578,920 | 543,441 | 542,060 |
| Inventories | 4 | 900,003 | 1,574,629 | 889,155 | 1,558,552 |
| Advance for raw material | 5 | 6,267 | 3,224 | 6,267 | 3,224 |
| Other current assets | | 21,468 | 19,929 | 20,146 | 18,942 |
| Total current assets | | <u>1,968,311</u> | <u>2,508,382</u> | <u>1,744,177</u> | <u>2,307,219</u> |
| Non-current assets | | | | | |
| Investments in subsidiaries | | - | - | 11,996 | 11,996 |
| Property, plant and equipment | 6 | 1,437,065 | 1,452,537 | 1,392,793 | 1,412,354 |
| Intangible assets | | 28,710 | 31,850 | 28,665 | 31,792 |
| Deferred tax assets | | 6,774 | 8,064 | 2,429 | 3,865 |
| Other non-current assets | | 125 | 125 | - | - |
| Total non-current assets | | <u>1,472,674</u> | <u>1,492,576</u> | <u>1,435,883</u> | <u>1,460,007</u> |
| Total assets | | <u><u>3,440,985</u></u> | <u><u>4,000,958</u></u> | <u><u>3,180,060</u></u> | <u><u>3,767,226</u></u> |

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 2015

(Unit: Thousand Baht)

| | <u>Consolidated financial statements</u> | | <u>Separate financial statements</u> | | |
|--|--|-----------------------------|--------------------------------------|-----------------------------|-------------------------|
| | <u>Note</u> | <u>30 September 2015</u> | <u>31 December 2014</u> | <u>30 September 2015</u> | <u>31 December 2014</u> |
| | | (Unaudited but reviewed) | (Audited) | (Unaudited but reviewed) | (Audited) |
| Liabilities and shareholders' equity | | | | | |
| Current liabilities | | | | | |
| Short-term loans from financial institutions | 7 | 790,346 | 1,390,040 | 790,346 | 1,390,040 |
| Trade and other payables | 8 | 96,991 | 100,780 | 99,109 | 112,483 |
| Current portion of long-term loan | 9 | 50,875 | - | 50,875 | - |
| Income tax payable | | 3,305 | 6,830 | - | - |
| Other current liabilities | | <u>33,738</u> | <u>16,443</u> | <u>30,426</u> | <u>14,183</u> |
| Total current liabilities | | <u>975,255</u> | <u>1,514,093</u> | <u>970,756</u> | <u>1,516,706</u> |
| Non-current liabilities | | | | | |
| Long-term loan from related party | 2 | 100,000 | 100,000 | 100,000 | 100,000 |
| Long-term loan, net of current portion | 9 | 356,125 | 201,000 | 356,125 | 201,000 |
| Provision for long-term employee benefits | 10 | <u>25,666</u> | <u>23,403</u> | <u>20,523</u> | <u>18,667</u> |
| Total non-current liabilities | | <u>481,791</u> | <u>324,403</u> | <u>476,648</u> | <u>319,667</u> |
| Total liabilities | | <u>1,457,046</u> | <u>1,838,496</u> | <u>1,447,404</u> | <u>1,836,373</u> |

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 2015

(Unit: Thousand Baht)

| | <u>Consolidated financial statements</u> | | <u>Separate financial statements</u> | |
|---|--|-------------------------|--------------------------------------|-------------------------|
| | <u>30 September 2015</u> | <u>31 December 2014</u> | <u>30 September 2015</u> | <u>31 December 2014</u> |
| | (Unaudited but reviewed) | (Audited) | (Unaudited but reviewed) | (Audited) |
| Shareholders' equity | | | | |
| Share capital | | | | |
| Registered | | | | |
| 660,000,000 ordinary shares of Baht 1 each | <u>660,000</u> | <u>660,000</u> | <u>660,000</u> | <u>660,000</u> |
| Issued and fully paid up | | | | |
| 660,000,000 ordinary shares of Baht 1 each | 660,000 | 660,000 | 660,000 | 660,000 |
| Share premium | | | | |
| Share premium on ordinary shares | 514,845 | 514,845 | 514,845 | 514,845 |
| Surplus on treasury shares | 1,011 | 1,011 | 1,011 | 1,011 |
| Retained earnings | | | | |
| Appropriated - statutory reserve | 67,000 | 67,000 | 67,000 | 67,000 |
| Unappropriated | <u>741,083</u> | <u>919,606</u> | <u>489,800</u> | <u>687,997</u> |
| Total shareholders' equity | <u>1,983,939</u> | <u>2,162,462</u> | <u>1,732,656</u> | <u>1,930,853</u> |
| Total liabilities and shareholders' equity | <u>3,440,985</u> | <u>4,000,958</u> | <u>3,180,060</u> | <u>3,767,226</u> |
| | - | - | - | - |

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

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Directors
.....

(Unaudited but reviewed)

Pacific Pipe Public Company Limited and its subsidiaries

Statement of comprehensive income

For the three-month period ended 30 September 2015

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

| | | <u>Consolidated financial statements</u> | | <u>Separate financial statements</u> | |
|--|-------------|--|------------------|--------------------------------------|------------------|
| | <u>Note</u> | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> |
| Profit or loss: | | | | | |
| Revenues | | | | | |
| Sales and service income | 2 | 1,612,814 | 1,692,083 | 1,594,782 | 1,675,092 |
| Exchange gain | | 1,028 | - | 1,029 | - |
| Other income | | 33,718 | 39,698 | 33,255 | 39,433 |
| Total revenues | | <u>1,647,560</u> | <u>1,731,781</u> | <u>1,629,066</u> | <u>1,714,525</u> |
| Expenses | | | | | |
| Cost of sales and services | | 1,568,593 | 1,588,273 | 1,563,168 | 1,585,100 |
| Selling expenses | | 34,119 | 31,787 | 46,073 | 43,369 |
| Administrative expenses | | 62,485 | 59,828 | 57,186 | 53,957 |
| Exchange loss | | - | 80 | - | 56 |
| Total expenses | | <u>1,665,197</u> | <u>1,679,968</u> | <u>1,666,427</u> | <u>1,682,482</u> |
| Profit (loss) before finance cost and income tax expenses | | <u>(17,637)</u> | <u>51,813</u> | <u>(37,361)</u> | <u>32,043</u> |
| Finance cost | | | | | |
| Finance cost | | <u>(13,423)</u> | <u>(14,824)</u> | <u>(13,271)</u> | <u>(14,653)</u> |
| Profit (loss) before income tax expenses | | <u>(31,060)</u> | <u>36,989</u> | <u>(50,632)</u> | <u>17,390</u> |
| Tax income (expenses) | 11 | <u>6,340</u> | <u>(7,422)</u> | <u>10,231</u> | <u>(3,480)</u> |
| Profit (loss) for the period | | <u>(24,720)</u> | <u>29,567</u> | <u>(40,401)</u> | <u>13,910</u> |
| Other comprehensive income for the period | | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total comprehensive income for the period | | <u>(24,720)</u> | <u>29,567</u> | <u>(40,401)</u> | <u>13,910</u> |
| Earnings per share | | | | | |
| Basic earnings per share | | | | | |
| Profit (loss) for the period | 12 | <u>(0.04)</u> | <u>0.04</u> | <u>(0.06)</u> | <u>0.02</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 2015

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

| | | <u>Consolidated financial statements</u> | | <u>Separate financial statements</u> | |
|--|-------------|--|------------------|--------------------------------------|------------------|
| | <u>Note</u> | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> |
| Profit or loss: | | | | | |
| Revenues | | | | | |
| Sales and service income | 2 | 5,050,116 | 5,287,964 | 4,992,301 | 5,218,022 |
| Exchange gain | | 5,815 | - | 5,689 | - |
| Dividend income | 2 | - | - | 30,264 | 27,806 |
| Other income | | 106,052 | 124,475 | 104,627 | 123,679 |
| Total revenues | | <u>5,161,983</u> | <u>5,412,439</u> | <u>5,132,881</u> | <u>5,369,507</u> |
| Expenses | | | | | |
| Cost of sales and services | | 4,893,357 | 4,840,254 | 4,879,125 | 4,813,633 |
| Selling expenses | | 104,738 | 92,558 | 138,709 | 131,807 |
| Administrative expenses | | 183,210 | 170,716 | 167,306 | 154,167 |
| Exchange loss | | - | 653 | - | 618 |
| Total expenses | | <u>5,181,305</u> | <u>5,104,181</u> | <u>5,185,140</u> | <u>5,100,225</u> |
| Profit (loss) before finance cost | | | | | |
| and income tax expenses | | (19,322) | 308,258 | (52,259) | 269,282 |
| Finance cost | | (39,394) | (37,324) | (38,897) | (36,872) |
| Profit (loss) before income tax expenses | | <u>(58,716)</u> | <u>270,934</u> | <u>(91,156)</u> | <u>232,410</u> |
| Income tax expenses | 11 | (14,191) | (54,170) | (1,441) | (41,017) |
| Profit (loss) for the period | | <u>(72,907)</u> | <u>216,764</u> | <u>(92,597)</u> | <u>191,393</u> |
| Other comprehensive income for the period | | | | | |
| | | - | - | - | - |
| Total comprehensive income for the period | | <u>(72,907)</u> | <u>216,764</u> | <u>(92,597)</u> | <u>191,393</u> |
| Earnings per share | | | | | |
| Basic earnings per share | | | | | |
| Profit (loss) for the period | 12 | <u>(0.11)</u> | <u>0.33</u> | <u>(0.14)</u> | <u>0.29</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 2015

(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 1 January 2014 | 660,000 | 514,845 | 1,011 | 67,000 | 1,002,541 | 2,245,397 |
| Dividend paid (Note 13) | - | - | - | - | (264,014) | (264,014) |
| Total comprehensive income for the period | - | - | - | - | 216,764 | 216,764 |
| Balance as at 30 September 2014 | <u>660,000</u> | <u>514,845</u> | <u>1,011</u> | <u>67,000</u> | <u>955,291</u> | <u>2,198,147</u> |
| Balance as at 1 January 2015 | 660,000 | 514,845 | 1,011 | 67,000 | 919,606 | 2,162,462 |
| Dividend paid (Note 13) | - | - | - | - | (105,616) | (105,616) |
| Total comprehensive income for the period | - | - | - | - | (72,907) | (72,907) |
| Balance as at 30 September 2015 | <u>660,000</u> | <u>514,845</u> | <u>1,011</u> | <u>67,000</u> | <u>741,083</u> | <u>1,983,939</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 2015

(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 1 January 2014 | 660,000 | 514,845 | 1,011 | 67,000 | 811,873 | 2,054,729 |
| Dividend paid (Note 13) | - | - | - | - | (264,000) | (264,000) |
| Total comprehensive income for the period | - | - | - | - | 191,393 | 191,393 |
| Balance as at 30 September 2014 | <u>660,000</u> | <u>514,845</u> | <u>1,011</u> | <u>67,000</u> | <u>739,266</u> | <u>1,982,122</u> |
| | | | | | | |
| Balance as at 1 January 2015 | 660,000 | 514,845 | 1,011 | 67,000 | 687,997 | 1,930,853 |
| Dividend paid (Note 13) | - | - | - | - | (105,600) | (105,600) |
| Total comprehensive income for the period | - | - | - | - | (92,597) | (92,597) |
| Balance as at 30 September 2015 | <u>660,000</u> | <u>514,845</u> | <u>1,011</u> | <u>67,000</u> | <u>489,800</u> | <u>1,732,656</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 2015

(Unit: Thousand Baht)

| | <u>Consolidated financial statements</u> | | <u>Separate financial statements</u> | |
|--|--|------------------|--------------------------------------|------------------|
| | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> |
| Cash flows from operating activities | | | | |
| Profit (loss) before tax | (58,716) | 270,934 | (91,156) | 232,410 |
| Adjustments to reconcile profit (loss) before tax to net cash provided by (paid from) operating activities: | | | | |
| Depreciation and amortisation | 86,931 | 74,531 | 80,657 | 68,648 |
| Allowance for doubtful accounts | 2,351 | 1,099 | 2,033 | 430 |
| Decrease of inventory to net realisable value | 11,235 | 16,874 | 11,235 | 16,874 |
| Loss (gain) on write-off/disposals of equipment | (88) | 14 | (88) | 14 |
| Provision for long-term employee benefits | 2,263 | 2,060 | 1,856 | 1,693 |
| Unrealised loss on exchange | 340 | 16 | 340 | 16 |
| Dividend income | - | - | (30,264) | (27,806) |
| Interest income | (701) | (1,130) | (472) | (919) |
| Interest expenses | 37,722 | 35,836 | 37,699 | 35,825 |
| Profit from operating activities before changes in operating assets and liabilities | 81,337 | 400,234 | 11,840 | 327,185 |
| Operating assets (increase) decrease | | | | |
| Trade and other receivables | (39,304) | (67,436) | (3,414) | (32,994) |
| Inventories | 663,391 | (271,158) | 658,162 | (287,732) |
| Advance for raw material | (3,043) | (23,595) | (3,043) | (23,595) |
| Other current assets | 645 | (21,498) | 979 | (21,156) |
| Operating liabilities increase (decrease) | | | | |
| Trade and other payables | (4,655) | (95,691) | (14,240) | (95,161) |
| Other current liabilities | 17,295 | (15,252) | 16,243 | (15,444) |
| Cash flows from (used in) operating activities | 715,666 | (94,396) | 666,527 | (148,897) |
| Cash paid for interest expenses | (36,856) | (34,352) | (36,833) | (34,341) |
| Cash paid for corporate income tax | (18,609) | (83,247) | (2,189) | (65,966) |
| Net cash flows from (used in) operating activities | 660,201 | (211,995) | 627,505 | (249,204) |

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 2015

(Unit: Thousand Baht)

| | <u>Consolidated financial statements</u> | | <u>Separate financial statements</u> | |
|---|--|------------------|--------------------------------------|------------------|
| | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> |
| Cash flows from investing activities | | | | |
| Acquisition of plant and equipment | (67,541) | (372,981) | (57,190) | (363,866) |
| Acquisition of intangible assets | (175) | (2,399) | (175) | (2,399) |
| Dividend income | - | - | 30,264 | 27,806 |
| Interest income | 701 | 1,567 | 473 | 1,355 |
| Capitalised interest as cost of assets | (1,717) | - | (1,717) | - |
| Proceeds from sales of equipment | 1,202 | - | 1,202 | - |
| Net cash flows used in investing activities | <u>(67,530)</u> | <u>(373,813)</u> | <u>(27,143)</u> | <u>(337,104)</u> |
| Cash flows from financing activities | | | | |
| Increase (decrease) in short-term loans | | | | |
| from financial institutions | (600,035) | 890,950 | (600,035) | 890,950 |
| Cash receipt from long-term loan | | | | |
| from financial institution | 206,000 | - | 206,000 | - |
| Dividend paid | (105,616) | (264,014) | (105,600) | (264,000) |
| Net cash flows from (used in) financing activities | <u>(499,651)</u> | <u>626,936</u> | <u>(499,635)</u> | <u>626,950</u> |
| Net increase in cash and cash equivalents | 93,020 | 41,128 | 100,727 | 40,642 |
| Cash and cash equivalents at beginning of period | 331,680 | 297,646 | 184,441 | 194,661 |
| Cash and cash equivalents at end of period | <u>424,700</u> | <u>338,774</u> | <u>285,168</u> | <u>235,303</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 2015

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 Thai Accounting Standard No. 34 (revised 2014) "Interim Financial Reporting", with the Company choosing to present condensed interim financial statements. However, the Company has presented the statements of financial position, comprehensive income, changes in shareholders' equity, and cash flows in the same format as that used for the annual financial statements.

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

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

1.3 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 2014. There has been no change in the composition of the Group during the current period.

1.4 New financial reporting standards

(a) Financial reporting standard that became effective in the current period

The Company has adopted the revised (revised 2014) and new financial reporting standards issued by the Federation of Accounting Professions which become effective for fiscal years beginning on or after 1 January 2015. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards. The adoption of these financial reporting standards does not have any significant impact on the Company's financial statements. However, some of these standards involve changes to key principles, which are summarised below:

TAS 19 (revised 2014) Employee Benefits

This revised standard requires that the entity recognise actuarial gains and losses immediately in other comprehensive income while the existing standard allows the entity to recognise such gains and losses immediately in either profit or loss or other comprehensive income, or to recognise them gradually in profit or loss.

This revised standard does not have any impact on the financial statements as the Company and its subsidiaries already recognise actuarial gains and losses immediately in other comprehensive income.

TFRS 10 Consolidated Financial Statements

TFRS 10 prescribes requirements for the preparation of consolidated financial statements and replaces the content of *TAS 27 Consolidated and Separate Financial Statements* dealing with consolidated financial statements. This standard changes the principles used in considering whether control exists. Under this standard, an investor is deemed to have control over an investee if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns, even if it holds less than half of the shares or voting rights. This important change requires the management to exercise a lot of judgement when reviewing whether the Company and its subsidiaries have control over investees and determining which entities have to be included in preparation of the consolidated financial statements.

This standard does not have any impact on the Company's and its subsidiaries' financial statements.

TFRS 13 Fair Value Measurement

This standard provides guidance on how to measure fair value and stipulates disclosures related to fair value measurement. Entities are to apply the guidance under this standard if they are required by other financial reporting standards to measure their assets or liabilities at fair value. The effects of the adoption of this standard are to be recognised prospectively.

This standard does not have any significant impact on the Company's and its subsidiaries' financial statements.

(b) Financial reporting standard issued during the period and not yet effective

During the period, the Federation of Accounting Professions issued a number of the revised financial reporting standards (revised 2015) which is effective for fiscal years beginning on or after 1 January 2016. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards. The Company's management believes that the revised financial reporting standards will not have any significant impact on the financial statements when it is 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 2014.

2. 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 |
| Lat Lum Kaeo Asset Company Limited | Common directors |
| Bang Bo Asset Company Limited | Common directors |
| 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. |

(Unaudited but reviewed)

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>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> | |
| <u>Transactions with subsidiary companies</u> | | | | | |
| (eliminated from the consolidated financial statements) | | | | | |
| Sales of goods | - | - | 694.5 | 797.1 | Reference to market price |
| Rental income | - | - | 0.2 | 0.2 | Contract price |
| Service income | - | - | 0.2 | 0.2 | Contract price |
| Commission paid | - | - | 17.3 | 16.8 | Contract price |
| Transportation expenses | - | - | 23.3 | 22.0 | Reference to market price |
| <u>Transactions with related parties</u> | | | | | |
| Interest expenses | 1.2 | 1.3 | 1.2 | 1.3 | MLR-1.5 percent per annum |
| Office rental and service expenses | 0.8 | 0.8 | - | - | Contract price |
| Land rental | 1.2 | - | 1.2 | - | Contract price |
| <u>Transaction with related persons</u> | | | | | |
| Land rental | - | 0.8 | - | 0.8 | Contract price |

(Unit: Million Baht)

| | For the nine-month periods ended 30 September | | | | Transfer Pricing Policy |
|---|---|----------------------|----------------------|----------------------|---------------------------|
| | Consolidated | | Separate | | |
| | financial statements | financial statements | financial statements | financial statements | |
| | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> | |
| <u>Transactions with subsidiary companies</u> | | | | | |
| (eliminated from the consolidated financial statements) | | | | | |
| Sales of goods | - | - | 2,332.4 | 2,413.4 | Reference to market price |
| Purchases of goods | - | - | 13.6 | - | Reference to market price |
| Rental income | - | - | 0.5 | 0.5 | Contract price |
| Service income | - | - | 0.6 | 0.6 | Contract price |
| Commission paid | - | - | 50.7 | 53.1 | Contract price |
| Transportation expenses | - | - | 69.1 | 65.2 | Reference to market price |
| <u>Transactions with related party</u> | | | | | |
| Interest expenses | 3.8 | 4.0 | 3.8 | 4.0 | MLR-1.5 percent per annum |
| Office rental and service expenses | 2.4 | 2.4 | - | - | Contract price |
| Land rental | 3.5 | - | 3.5 | - | Contract price |
| <u>Transaction with related persons</u> | | | | | |
| Land rental | - | 2.6 | - | 2.6 | Contract price |

(Unaudited but reviewed)

The balances of the accounts as at 30 September 2015 and 31 December 2014 between the Company and those related parties are as follows:

(Unit: Thousand Baht)

| | Consolidated financial statements | | Separate financial statements | |
|--|-----------------------------------|----------------------------------|-------------------------------|----------------------------------|
| | 30 September 2015 | 31 December 2014 (Audited) | 30 September 2015 | 31 December 2014 (Audited) |
| <u>Trade receivable - related party (Note 3)</u> | | | | |
| Tamose Trading Company Limited | - | - | 164,386 | 217,639 |
| Total trade receivable - related party | - | - | 164,386 | 217,639 |
| <u>Other receivables - related parties (Note 3)</u> | | | | |
| Tamose Trading Company Limited | - | - | 558 | - |
| Meesup Transport Company Limited | - | - | 95 | - |
| Total other receivables - related parties | - | - | 653 | - |
| <u>Trade payable - related party (Note 8)</u> | | | | |
| Tamose Trading Company Limited | - | - | - | 7,390 |
| Total trade payable - related party | - | - | - | 7,390 |
| <u>Other payables - related parties (Note 8)</u> | | | | |
| Tamose Trading Company Limited | - | - | 12,170 | 10,900 |
| Meesup Transport Company Limited | - | - | 3,774 | 2,878 |
| Lat Lum Kaeo Asset Company Limited | 638 | - | 638 | - |
| Total other payables - related parties | 638 | - | 16,582 | 13,778 |

Loans from related party

The balances of long-term loan from related company as at 30 September 2015 and 31 December 2014 and the movement are as follows:

(Unit: Thousand Baht)

| Long-term loan | Related by | Consolidated financial statements / Separate financial statements | | | |
|---|----------------------|---|----------------------------|----------|------------------------------------|
| | | Balance as at 31 December 2014 | Movement during the period | | Balance as at 30 September 2015 |
| | | | Increase | Decrease | |
| Tang Mong Seng Holding Company Limited | Major shareholder | 100,000 | - | - | 100,000 |

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 percent per annum (MLR of a commercial bank). This loan is unsecured and due for repayment in July 2018.

Dividend income

During the second quarter of the current year, the Company recognised dividend income from Tamose Trading Company Limited and Meesup Transport Company Limited of Baht 22.0 million and Baht 8.3 million, respectively, in the separate financial statements.

Directors and management's benefits

During the nine-month periods ended 30 September 2015 and 2014, 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>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> |
| Short-term employee benefits | 27,060 | 27,091 | 23,366 | 23,396 |
| Post-employment benefits | 1,121 | 1,851 | 988 | 1,561 |
| Total | <u>28,181</u> | <u>28,942</u> | <u>24,354</u> | <u>24,957</u> |

Guarantee obligations with related party

The Company has outstanding guarantee obligations with its related party, as described in Note 14.4 to the financial statements.

3. Trade and other receivables

(Unit: Thousand Baht)

| | Consolidated | | Separate | |
|--|----------------------|-------------|----------------------|-------------|
| | financial statements | | financial statements | |
| | 30 September | 31 December | 30 September | 31 December |
| | 2015 | 2014 | 2015 | 2014 |
| | | (Audited) | | (Audited) |
| <u>Trade receivables - related parties</u> | | | | |
| Aged on the basis of due dates | | | | |
| Not yet due | - | - | 158,059 | 163,695 |
| Past due | | | | |
| Up to 3 months | - | - | 6,327 | 53,944 |
| Total trade receivables - related parties (Note 2) | - | - | 164,386 | 217,639 |
| <u>Trade receivables - unrelated parties</u> | | | | |
| Aged on the basis of due dates | | | | |
| Not yet due | 500,159 | 415,788 | 293,646 | 241,094 |
| Past due | | | | |
| Up to 3 months | 85,350 | 134,363 | 56,798 | 79,217 |
| 3 - 6 months | 12,354 | 16,159 | 11,373 | 643 |
| 6 - 12 months | 18,893 | 13,662 | 17,792 | 4,216 |
| Over 12 months | 25,932 | 23,412 | 9,028 | 7,453 |
| Total | 642,688 | 603,384 | 388,637 | 332,623 |
| Less: Allowance for doubtful debts | (26,815) | (24,464) | (10,235) | (8,202) |
| Total trade receivables - unrelated parties, net | 615,873 | 578,920 | 378,402 | 324,421 |
| Total trade receivables - net | 615,873 | 578,920 | 542,788 | 542,060 |
| <u>Other receivables</u> | | | | |
| Other receivables - related parties (Note 2) | - | - | 653 | - |
| Total trade and other receivables - net | 615,873 | 578,920 | 543,441 | 542,060 |

4. Inventories

Movements in the reduced cost of inventory to net realisable value account during the nine-month period ended 30 September 2015 are summarised below.

| | |
|--|---|
| | (Unit: Thousand Baht) |
| | Consolidated/Separate financial statements |
| Balance as at 1 January 2015 | 68,943 |
| Add: Record during the period | 11,235 |
| Balance as at 30 September 2015 | 80,178 |

5. Advance for raw material

| | | |
|--------------------------------|---|------------------|
| | (Unit: Thousand Baht) | |
| | Consolidated / Separate financial statements | |
| | 30 September 2015 | 31 December 2014 |
| | | (Audited) |
| Advance for raw material | 24,267 | 21,224 |
| Less: Allowance for impairment | (18,000) | (18,000) |
| | 6,267 | 3,224 |

The advance payment for raw material as at 30 September 2015 included the advance cash payment of Baht 18.4 million (31 December 2014: Baht 21 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.

As a result of the above, the supplier negotiated with the Company with respect to payment of the advance for raw materials. In April 2013, the Company and the supplier entered into a settlement agreement whereby payment would be made within 3 years, and partial payment has already been made. However, in February 2015, the supplier requested to enter into an agreement rescheduling payment with the Company, whereby the supplier will pay the outstanding amount monthly, within a period of 33 months, at the rate stipulated in the agreement. The Company's management does not expect to incur losses in excess of the impairment loss recorded in the financial statements.

6. Property, plant and equipment

Movements of the property, plant and equipment account during the nine-month period ended 30 September 2015 are summarised below.

| | (Unit: Thousand Baht) | |
|---|-----------------------------|-----------------------------|
| | Consolidated | Separate |
| | <u>financial statements</u> | <u>financial statements</u> |
| Net book value as at 1 January 2015 | 1,452,537 | 1,412,354 |
| Acquisitions during the period - at cost | 67,541 | 57,190 |
| Capitalised Interest | 1,717 | 1,717 |
| Write-off during the period - net book value at write-off date | (1,114) | (1,114) |
| Transfer out during the period | (360) | (360) |
| Depreciation for the period | (83,256) | (76,994) |
| Net book value as at 30 September 2015 | <u>1,437,065</u> | <u>1,392,793</u> |

7. Short-term loans from financial institutions

| | | (Unit: Thousand Baht) | |
|---|---------------------|---|-------------------------|
| | Interest rate | <u>Consolidated / Separate financial statements</u> | |
| | (Percent per annum) | <u>30 September 2015</u> | <u>31 December 2014</u> |
| | | | (Audited) |
| Short-term loans from financial institutions | 2.50 - 2.85 | 768,003 | 1,217,920 |
| Trust receipt | 2.01 | 22,343 | 172,120 |
| | | <u>790,346</u> | <u>1,390,040</u> |

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.

8. Trade and other payables

| | (Unit: Thousand Baht) | | | |
|---|-----------------------|---------------------|----------------------|---------------------|
| | Consolidated | | Separate | |
| | financial statements | | financial statements | |
| | 30 September 2015 | 31 December 2014 | 30 September 2015 | 31 December 2014 |
| | | (Audited) | | (Audited) |
| Trade payables - unrelated parties | 27,437 | 1,437 | 25,189 | - |
| Trade payable - related party (Note 2) | - | - | - | 7,390 |
| Other payables - related parties (Note 2) | 638 | - | 16,582 | 13,778 |
| Other payables - unrelated parties | 37,231 | 63,267 | 34,484 | 61,586 |
| Accrued expenses | 31,685 | 36,076 | 22,854 | 29,729 |
| Total trade and other payables | 96,991 | 100,780 | 99,109 | 112,483 |

9. Long-term loan

| | | | (Unit: Thousand Baht) | |
|---|----------------------|---|---|------------------|
| | | | Consolidated financial statements/ Separate financial statements | |
| Loan | Interest rate (%) | Repayment schedule | 30 September 2015 | 31 December 2014 |
| | | | | (Audited) |
| 1 | MLR - 2.4 | Monthly installment as from January 2016 | 407,000 | 201,000 |
| Less: Portion due within one year | | | (50,875) | - |
| Long-term loan - net of current portion | | | 356,125 | 201,000 |

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.

10. Provision for long-term employee benefits

| | (Unit: Thousand Baht) | |
|--|--------------------------------------|----------------------------------|
| | Consolidated financial statements | Separate financial statements |
| Balance as at 1 January 2015 | 23,403 | 18,667 |
| Add: Recognition during the period | 2,263 | 1,856 |
| Balance as at 30 September 2015 | <u>25,666</u> | <u>20,523</u> |

11. Income tax

Interim corporate income tax was calculated on profit before income tax for the period, after adding back expenses and deducting income which are disallowable for tax computation purpose, using the estimated effective tax rate for the year.

Income tax expenses for the three-month and nine-month periods ended 30 September 2015 and 2014 are made up as follows:

| | (Unit: Thousand Baht) | | | |
|--|--|--------------|----------------------------------|--------------|
| | For the three-month periods ended 30 September | | | |
| | Consolidated financial statements | | Separate financial statements | |
| | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> |
| Current income tax: | | | | |
| Interim corporate income tax charge | 3,956 | 11,195 | - | 7,102 |
| Deferred tax: | | | | |
| Relating to origination and reversal of temporary differences | (10,296) | (3,773) | (10,231) | (3,622) |
| Income tax expenses (income) reported in the statements of comprehensive income | <u>(6,340)</u> | <u>7,422</u> | <u>(10,231)</u> | <u>3,480</u> |

| | (Unit: Thousand Baht) | | | |
|---|---|---------------|----------------------------------|---------------|
| | For the nine-month periods ended 30 September | | | |
| | Consolidated financial statements | | Separate financial statements | |
| | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> |
| Current income tax: | | | | |
| Interim corporate income tax charge | 12,901 | 54,490 | 5 | 41,130 |
| Deferred tax: | | | | |
| Relating to origination and reversal of temporary differences | 1,290 | (320) | 1,436 | (113) |
| Income tax expenses reported in the statements of comprehensive income | <u>14,191</u> | <u>54,170</u> | <u>1,441</u> | <u>41,017</u> |

12. Basic earnings per share

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

13. Dividends

| Dividends | Approved by | Total dividends (Million Baht) | Dividend per share (Baht/share) |
|--------------------------|--|--------------------------------------|---------------------------------------|
| Final dividends for 2013 | Annual General Meeting of the shareholders on 24 April 2014 | 264.0 | 0.40 |
| Total for 2014 | | 264.0 | 0.40 |
| Final dividends for 2014 | Annual General Meeting of the shareholders on 23 April 2015 | 105.6 | 0.16 |
| Total for 2015 | | 105.6 | 0.16 |

14. Commitments and contingent liabilities**14.1 Capital commitments**

As at 30 September 2015, the Company had capital commitments of approximately Baht 6.7 million, relating to construction of plant and computer system development. (31 December 2014: Baht 13.9 million).

14.2 Letters of credit

The Company and its subsidiaries had commitments under letters of credit with overseas suppliers amounting to approximately USD 0.3 million (31 December 2014: USD 1.6 million).

14.3 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 13 years.

(Unaudited but reviewed)

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

(Unit: Million Baht)

| | Consolidated financial statements | | | |
|-----------------------------|-----------------------------------|-------------|-------------------|-------------|
| | Related parties | | Unrelated parties | |
| | 30 September | 31 December | 30 September | 31 December |
| | 2015 | 2014 | 2015 | 2014 |
| | | | | |
| | | | | (Audited) |
| Payable: | | (Audited) | | (Audited) |
| In up to 1 year | 7.4 | 6.6 | 1.9 | 3.0 |
| In over 1 and up to 5 years | 20.3 | 11.2 | 2.6 | - |
| In over 5 year | 38.9 | 15.5 | - | - |

(Unit: Million Baht)

| | Separated financial statements | | | |
|-----------------------------|--------------------------------|-------------|-------------------|-------------|
| | Related parties | | Unrelated parties | |
| | 30 September | 31 December | 30 September | 31 December |
| | 2015 | 2014 | 2015 | 2014 |
| | | | | |
| | | | | (Audited) |
| Payable: | | (Audited) | | (Audited) |
| In up to 1 year | 4.8 | 3.4 | 1.9 | 2.7 |
| In over 1 and up to 5 years | 20.3 | 9.3 | 2.6 | - |
| In over 5 year | 38.9 | 15.5 | - | - |

14.4 Guarantees

- (1) As at 30 September 2015, there were outstanding bank guarantees of approximately Baht 83 million (31 December 2014: Baht 61 million) issued by banks on behalf of the Company in respect of certain performance bonds as required in the normal course of its business. These included letters of guarantee amounting to Baht 66 million (31 December 2014: Baht 46 million) to guarantee payments due to Customs Department, Baht 15 million (31 December 2014: Baht 14 million) to guarantee electricity use and Baht 1 million (31 December 2014: Baht 1 million) to guarantee as a Gold Card importer and exporter to the Customs Department and Baht 1 million to guarantee as an AEO authorised importer and/or exporter to the Customs Department. (31 December 2014: Nil).
- (2) The Company guarantees credit card facility of its subsidiary company amounting to Baht 1 million (31 December 2014: Baht 1 million).

15. Segment information

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 2015, export sales of the Company and its subsidiaries represented approximately 0.9 and 1.9 percent, respectively (30 September 2014: 1.2 and 2.2 percent) of total sales. The export sales of the Company only for the three-month and nine-month periods then ended represented approximately 0.7 and 1.6 percent, respectively (30 September 2014: 1.0 and 2.0 percent) of the Company's sales.

16. Foreign currency risk

As at 30 September 2015 and 31 December 2014, the Company has financial liabilities denominated in foreign currency which mature within one year as follows:

| Foreign currency | Financial liabilities | | Average exchange rate | |
|------------------|-----------------------|---------------------|------------------------------------|---------------------|
| | 30 September 2015 | 31 December 2014 | 30 September 2015 | 31 December 2014 |
| | (Million) | (Million) | (Baht per 1 foreign currency unit) | |
| US dollar | 0.6 | 3.9 | 36.2864 | 32.8834 |
| EUR | - | 1.1 | 40.7519 | 39.9180 |

17. Approval of interim financial statements

These interim financial statements were authorised for issue by the Company's Board of Directors on 11 November 2015.