

Pacific Pipe Public Company Limited and its subsidiaries
Report and consolidated financial statements
31 December 2015

Independent Auditor's Report

To the Shareholders of Pacific Pipe Public Company Limited

I have audited the accompanying consolidated financial statements of Pacific Pipe Public Company Limited and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2015, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and have also audited the separate financial statements of Pacific Pipe Public Company Limited for the same period.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pacific Pipe Public Company Limited and its subsidiaries and of Pacific Pipe Public Company Limited as at 31 December 2015, and their financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.

Chonlaros Suntiasvaraporn
Certified Public Accountant (Thailand) No. 4523

EY Office Limited
Bangkok: 24 February 2016

Pacific Pipe Public Company Limited and its subsidiaries

Statement of financial position

As at 31 December 2015

(Unit: Baht)

| | Note | Consolidated financial statements | | Separate financial statements | |
|---------------------------------|------|-----------------------------------|----------------------|-------------------------------|----------------------|
| | | 31 December 2015 | 31 December 2014 | 31 December 2015 | 31 December 2014 |
| Assets | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | 7 | 440,929,460 | 331,679,384 | 264,893,175 | 184,440,958 |
| Trade and other receivables | 8 | 556,109,485 | 578,920,221 | 502,082,505 | 542,060,124 |
| Inventories | 9 | 847,111,124 | 1,574,628,949 | 836,443,405 | 1,558,551,799 |
| Advance for raw material | 10 | 52,846 | 3,224,277 | 52,846 | 3,224,277 |
| Other current assets | | 18,368,673 | 19,928,638 | 16,847,287 | 18,941,543 |
| Total current assets | | 1,862,571,588 | 2,508,381,469 | 1,620,319,218 | 2,307,218,701 |
| Non-current assets | | | | | |
| Investments in subsidiaries | 11 | - | - | 11,996,100 | 11,996,100 |
| Property, plant and equipment | 12 | 1,423,115,034 | 1,452,537,161 | 1,380,871,146 | 1,412,353,818 |
| Intangible assets | 13 | 27,471,839 | 31,849,683 | 27,429,995 | 31,792,414 |
| Deferred tax assets | 20 | 4,544,365 | 8,064,297 | - | 3,864,837 |
| Other non-current assets | | 125,127 | 125,127 | - | - |
| Total non-current assets | | 1,455,256,365 | 1,492,576,268 | 1,420,297,241 | 1,460,007,169 |
| Total assets | | 3,317,827,953 | 4,000,957,737 | 3,040,616,459 | 3,767,225,870 |

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 31 December 2015

(Unit: Baht)

| | Note | Consolidated financial statements | | Separate financial statements | |
|--|------|-----------------------------------|----------------------|-------------------------------|----------------------|
| | | 31 December 2015 | 31 December 2014 | 31 December 2015 | 31 December 2014 |
| Liabilities and shareholders' equity | | | | | |
| Current liabilities | | | | | |
| Short-term loans from financial institutions | 14 | 580,265,478 | 1,390,040,288 | 580,265,478 | 1,390,040,288 |
| Trade and other payables | 15 | 151,038,906 | 100,780,011 | 153,705,559 | 112,483,372 |
| Current portion of long-term loan | 16 | 67,833,333 | - | 67,833,333 | - |
| Income tax payable | | 6,039,729 | 6,829,887 | - | - |
| Other current liabilities | | 23,994,573 | 16,443,065 | 20,656,059 | 14,182,577 |
| Total current liabilities | | 829,172,019 | 1,514,093,251 | 822,460,429 | 1,516,706,237 |
| Non-current liabilities | | | | | |
| Long-term loan from related party | 6 | 100,000,000 | 100,000,000 | 100,000,000 | 100,000,000 |
| Long-term loan from financial institution, net of current portion | 16 | 339,166,667 | 201,000,000 | 339,166,667 | 201,000,000 |
| Deferred tax liabilities | 20 | 9,199,179 | - | 9,199,179 | - |
| Provision for long-term employee benefits | 17 | 29,685,694 | 23,402,685 | 23,742,536 | 18,666,783 |
| Total non-current liabilities | | 478,051,540 | 324,402,685 | 472,108,382 | 319,666,783 |
| Total liabilities | | 1,307,223,559 | 1,838,495,936 | 1,294,568,811 | 1,836,373,020 |

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 31 December 2015

(Unit: Baht)

| | <u>Consolidated financial statements</u> | | <u>Separate financial statements</u> | | |
|---|--|-------------------------|--------------------------------------|-------------------------|-------------------------|
| | <u>Note</u> | <u>31 December 2015</u> | <u>31 December 2014</u> | <u>31 December 2015</u> | <u>31 December 2014</u> |
| Shareholders' equity | | | | | |
| Share capital | | | | | |
| Registered | | | | | |
| 660,000,000 ordinary shares of Baht 1 each | | <u>660,000,000</u> | <u>660,000,000</u> | <u>660,000,000</u> | <u>660,000,000</u> |
| Issued and fully paid up | | | | | |
| 660,000,000 ordinary shares of Baht 1 each | | 660,000,000 | 660,000,000 | 660,000,000 | 660,000,000 |
| Share premium | | | | | |
| Share premium on ordinary shares | | 514,845,000 | 514,845,000 | 514,845,000 | 514,845,000 |
| Surplus on treasury shares | | 1,010,911 | 1,010,911 | 1,010,911 | 1,010,911 |
| Retained earnings | | | | | |
| Appropriated - statutory reserve | 18 | 67,000,000 | 67,000,000 | 67,000,000 | 67,000,000 |
| Unappropriated | | <u>767,748,483</u> | <u>919,605,890</u> | <u>503,191,737</u> | <u>687,996,939</u> |
| Total shareholders' equity | | <u>2,010,604,394</u> | <u>2,162,461,801</u> | <u>1,746,047,648</u> | <u>1,930,852,850</u> |
| Total liabilities and shareholders' equity | | <u>3,317,827,953</u> | <u>4,000,957,737</u> | <u>3,040,616,459</u> | <u>3,767,225,870</u> |
| | | - | - | - | - |

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

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 Directors

Pacific Pipe Public Company Limited and its subsidiaries

Statement of comprehensive income

For the year ended 31 December 2015

(Unit: 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 | 6 | 6,474,997,759 | 6,849,020,065 | 6,403,770,694 | 6,777,486,656 |
| Exchange gains | | 6,533,324 | 436,704 | 6,385,982 | 447,531 |
| Dividend income | 11 | - | - | 30,264,316 | 27,805,654 |
| Other income | | 134,057,752 | 170,493,322 | 132,193,635 | 169,501,635 |
| Total revenues | | 6,615,588,835 | 7,019,950,091 | 6,572,614,627 | 6,975,241,476 |
| Expenses | | | | | |
| Cost of sales and services | | 6,202,993,222 | 6,394,219,183 | 6,185,403,041 | 6,378,670,492 |
| Selling expenses | | 135,775,872 | 120,942,985 | 181,537,300 | 171,500,769 |
| Administrative expenses | | 239,392,324 | 226,819,912 | 218,520,585 | 205,854,825 |
| Total expenses | | 6,578,161,418 | 6,741,982,080 | 6,585,460,926 | 6,756,026,086 |
| Profit (loss) before finance cost | | | | | |
| and income tax expenses | | 37,427,417 | 277,968,011 | (12,846,299) | 219,215,390 |
| Finance cost | | (50,527,092) | (51,657,539) | (49,889,440) | (51,047,743) |
| Profit (loss) before income tax expenses | | (13,099,675) | 226,310,472 | (62,735,739) | 168,167,647 |
| Income tax expenses | 20 | (29,889,750) | (45,231,540) | (13,749,123) | (28,043,768) |
| Profit (loss) for the year | | (42,989,425) | 181,078,932 | (76,484,862) | 140,123,879 |
| Other comprehensive income: | | | | | |
| Other comprehensive income not to be reclassified | | | | | |
| to profit or loss in subsequent periods | | | | | |
| Actuarial loss | 17 | (4,065,453) | - | (3,400,505) | - |
| Less: Income tax effect | 20 | 813,091 | - | 680,101 | - |
| Other comprehensive income for the year | | (3,252,362) | - | (2,720,404) | - |
| Total comprehensive income for the year | | (46,241,787) | 181,078,932 | (79,205,266) | 140,123,879 |
| Basic earnings per share | | | | | |
| Profit (loss) or the year | 21 | (0.07) | 0.27 | (0.12) | 0.21 |

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

Pacific Pipe Public Company Limited and its subsidiaries

Statement of changes in shareholders' equity

For the year ended 31 December 2015

(Unit: 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 | 660,000,000 | 514,845,000 | 1,010,911 | 67,000,000 | 1,002,541,304 | 2,245,397,215 |
| Total comprehensive income for the year | - | - | - | - | 181,078,932 | 181,078,932 |
| Dividend paid (Note 24) | - | - | - | - | (264,014,346) | (264,014,346) |
| Balance as at 31 December 2014 | <u>660,000,000</u> | <u>514,845,000</u> | <u>1,010,911</u> | <u>67,000,000</u> | <u>919,605,890</u> | <u>2,162,461,801</u> |
| | | | | | | - |
| Balance as at 1 January 2015 | 660,000,000 | 514,845,000 | 1,010,911 | 67,000,000 | 919,605,890 | 2,162,461,801 |
| Loss for the year | - | - | - | - | (42,989,425) | (42,989,425) |
| Other comprehensive income for the year | - | - | - | - | (3,252,362) | (3,252,362) |
| Total comprehensive income for the year | - | - | - | - | (46,241,787) | (46,241,787) |
| Dividend paid (Note 24) | - | - | - | - | (105,615,620) | (105,615,620) |
| Balance as at 31 December 2015 | <u>660,000,000</u> | <u>514,845,000</u> | <u>1,010,911</u> | <u>67,000,000</u> | <u>767,748,483</u> | <u>2,010,604,394</u> |

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

Pacific Pipe Public Company Limited and its subsidiaries

Statement of changes in shareholders' equity (continued)

For the year ended 31 December 2015

(Unit: 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 | 660,000,000 | 514,845,000 | 1,010,911 | 67,000,000 | 811,873,060 | 2,054,728,971 |
| Total comprehensive income for the year | - | - | - | - | 140,123,879 | 140,123,879 |
| Dividend paid (Note 24) | - | - | - | - | (264,000,000) | (264,000,000) |
| Balance as at 31 December 2014 | <u>660,000,000</u> | <u>514,845,000</u> | <u>1,010,911</u> | <u>67,000,000</u> | <u>687,996,939</u> | <u>1,930,852,850</u> |
| | | | | | | - |
| Balance as at 1 January 2015 | 660,000,000 | 514,845,000 | 1,010,911 | 67,000,000 | 687,996,939 | 1,930,852,850 |
| Loss for the year | - | - | - | - | (76,484,862) | (76,484,862) |
| Other comprehensive income for the year | - | - | - | - | (2,720,404) | (2,720,404) |
| Total comprehensive income for the year | - | - | - | - | (79,205,266) | (79,205,266) |
| Dividend paid (Note 24) | - | - | - | - | (105,599,936) | (105,599,936) |
| Balance as at 31 December 2015 | <u>660,000,000</u> | <u>514,845,000</u> | <u>1,010,911</u> | <u>67,000,000</u> | <u>503,191,737</u> | <u>1,746,047,648</u> |

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

Pacific Pipe Public Company Limited and its subsidiaries

Cash flow statement

For the year ended 31 December 2015

(Unit: 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 | (13,099,675) | 226,310,472 | (62,735,739) | 168,167,647 |
| Adjustments to reconcile profit (loss) before tax to net cash provided by (paid from) operating activities: | | | | |
| Depreciation and amortisation | 118,864,967 | 100,316,084 | 110,519,700 | 92,476,599 |
| Allowance for doubtful accounts | 2,781,901 | 1,359,319 | 2,264,649 | 777,073 |
| Reduction of inventory to net realisable value (reversal) | (42,578,209) | 53,907,394 | (42,578,209) | 53,907,394 |
| Loss (gain) on write-off/disposals of equipment | (108,491) | 17,791 | (108,501) | 17,317 |
| Provision for long-term employee benefits | 3,017,556 | 2,839,149 | 2,475,248 | 2,348,734 |
| Unrealised loss (gain) on exchange | 18,617 | (1,723,887) | 37,950 | (1,723,887) |
| Dividend income | - | - | (30,264,316) | (27,805,654) |
| Interest income | (1,517,868) | (1,558,104) | (1,034,542) | (1,170,060) |
| Interest expenses | 48,270,676 | 49,703,089 | 48,247,842 | 49,690,216 |
| Profit from operating activities before changes in operating assets and liabilities | 115,649,474 | 431,171,307 | 26,824,082 | 336,685,379 |
| Operating assets (increase) decrease | | | | |
| Trade and other receivables | 20,028,835 | 17,774,699 | 37,712,970 | 8,304,145 |
| Inventories | 770,096,034 | (235,749,639) | 764,686,603 | (239,380,574) |
| Advance for raw material | 3,171,431 | 12,730,413 | 3,171,431 | 12,730,413 |
| Other current assets | 4,185,751 | (14,549,460) | 4,720,042 | (14,357,890) |
| Operating liabilities increase (decrease) | | | | |
| Trade and other payables | 50,507,995 | (93,988,079) | 41,451,954 | (84,647,439) |
| Other current liabilities | 7,551,508 | (10,587,314) | 6,473,482 | (11,335,185) |
| Other non-current liabilities | (800,000) | - | (800,000) | - |
| Cash flows from operating activities | 970,391,028 | 106,801,927 | 884,240,564 | 7,998,849 |
| Cash paid for interest expenses | (48,500,443) | (50,166,438) | (48,477,609) | (50,153,565) |
| Cash paid for corporate income tax | (19,773,492) | (84,447,193) | (2,630,792) | (66,456,870) |
| Net cash flows from (used in) operating activities | 902,117,093 | (27,811,704) | 833,132,163 | (108,611,586) |

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

Pacific Pipe Public Company Limited and its subsidiaries

Cash flow statement (continued)

For the year ended 31 December 2015

(Unit: Baht)

| | Consolidated financial statements | | Separate financial statements | |
|--|--|----------------------|--------------------------------------|----------------------|
| | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> |
| Cash flows from investing activities | | | | |
| Acquisition of property, plant and equipment | (84,287,616) | (439,466,352) | (73,897,219) | (430,351,152) |
| Acquisition of intangible assets | (175,000) | (3,939,200) | (175,000) | (3,939,200) |
| Dividend income | - | - | 30,264,316 | 27,805,654 |
| Interest income | 1,517,868 | 1,994,638 | 1,034,542 | 1,606,594 |
| Capitalised interest as cost of assets | (1,716,825) | - | (1,716,825) | - |
| Proceeds from sales of equipment | 1,222,936 | 22,430 | 1,222,936 | 22,430 |
| Net cash flows used in investing activities | <u>(83,438,637)</u> | <u>(441,388,484)</u> | <u>(43,267,250)</u> | <u>(404,855,674)</u> |
| Cash flows from financing activities | | | | |
| Increase (decrease) in short-term loans | | | | |
| from financial institutions | (809,812,760) | 566,247,665 | (809,812,760) | 566,247,665 |
| Cash receipt from long-term loans from financial institution | 206,000,000 | 201,000,000 | 206,000,000 | 201,000,000 |
| Dividend paid | (105,615,620) | (264,014,346) | (105,599,936) | (264,000,000) |
| Net cash flows from (used in) financing activities | <u>(709,428,380)</u> | <u>503,233,319</u> | <u>(709,412,696)</u> | <u>503,247,665</u> |
| Net increase (decrease) in cash and cash equivalents | 109,250,076 | 34,033,131 | 80,452,217 | (10,219,595) |
| Cash and cash equivalents at beginning of year | 331,679,384 | 297,646,253 | 184,440,958 | 194,660,553 |
| Cash and cash equivalents at end of year | <u>440,929,460</u> | <u>331,679,384</u> | <u>264,893,175</u> | <u>184,440,958</u> |
| | - | - | - | - |

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

Pacific Pipe Public Company Limited and its subsidiaries

Notes to consolidated financial statements

For the year ended 31 December 2015

1. General 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.

2 Basis of preparation

2.1 The financial statements have been prepared in accordance with Thai Financial Reporting 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 Pacific Pipe Public Company Limited (“the Company”) and the following subsidiary companies (“the subsidiaries”):

| Company's name | Nature of business | Country of incorporation | Percentage of shareholding | |
|----------------------------------|--|--------------------------|----------------------------|-----------------|
| | | | 2015 Percent | 2014 Percent |
| Tamose Trading Company Limited | Distribution of steel pipes for construction | Thailand | 99.94 | 99.94 |
| Meesup Transport Company Limited | Transportation | Thailand | 99.97 | 99.97 |

- b) The Company is deemed to have control over an investee or subsidiaries 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.
 - c) 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.
 - d) The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Company.
 - e) Material balances and transactions between the Company and its subsidiary companies have been eliminated from the consolidated financial statements.
- 2.3 The separate financial statements present investments in subsidiaries under the cost method.

3. New financial reporting standards

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

(a) Financial reporting standards that became effective in the current year

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 former standard allowed 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 that will become effective in the future

During the current year, the Federation of Accounting Professions issued a number of the revised (revised 2015) and new financial reporting standards and accounting treatment guidance 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 and new financial reporting standards and accounting treatment guidance will not have any significant impact on the financial statements when it is initially applied.

4. Significant accounting policies

4.1 Revenue recognition

Sales of goods

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

Rendering of services

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

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.

4.2 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.

4.3 Trade accounts receivable

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

4.4 Inventories

The Company and its subsidiary presented value of finished goods at the lower of cost (under the weighted average method) and net realisable value. Cost includes all production costs, wages and attributable factory overheads.

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

4.5 Investments

Investments in subsidiaries are accounted for in the separate financial statements using the cost method.

4.6 Property, plant and equipment/Depreciation

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

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

| | |
|------------------------------------|---------------|
| Land improvement | 10 - 20 years |
| Buildings and building improvement | 20 - 30 years |
| Machinery and factory equipment | 10 - 32 years |
| Office equipment | 3 - 5 years |
| Motor vehicles | 5 - 10 years |

Depreciation is included in determining income

No depreciation is provided on land and assets under construction.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are 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.

4.7 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 period they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

4.8 Intangible assets

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:

| | |
|-------------------|---------------------|
| | <u>Useful lives</u> |
| Computer software | 10 years |

4.9 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.

4.10 Foreign currencies

The consolidated and separate financial statements are presented in Baht, which is also the Company's functional currency. Items of each entity included in the consolidated financial statements are measured using the functional currency of the entity.

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.

4.11 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.

4.12 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 and its subsidiaries and their 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 and its subsidiaries' contributions are recognised as expenses when incurred.

Defined benefit plan

The Company and its subsidiaries have obligations in respect of the severance payments it 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 by a professionally qualified independent actuary based on actuarial techniques, using the projected unit credit method.

Actuarial gains and losses arising from post-employment benefits are recognised immediately in other comprehensive income.

4.13 Provisions

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

4.14 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.

4.15 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between buyer and seller (market participants) at the measurement date. The Company and its subsidiaries apply a quoted market price in an active market to measure their assets and liabilities that are required to be measured at fair value by relevant financial reporting standards. Except in case of no active market of an identical asset or liability or when a quoted market price is not available, the Company and its subsidiaries measure fair value using valuation technique that are appropriate in the circumstances and maximises the use of relevant observable inputs related to assets and liabilities that are required to be measured at fair value.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy into three levels based on categorise of input to be used in fair value measurement as follows:

Level 1 - Use of quoted market prices in an observable active market for such assets or liabilities

Level 2 - Use of other observable inputs for such assets or liabilities, whether directly or indirectly

Level 3 - Use of unobservable inputs such as estimates of future cash flows

At the end of each reporting period, the Company and its subsidiaries determine whether transfers have occurred between levels within the fair value hierarchy for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis.

5. Significant accounting judgements and estimates

The preparation of financial statements in conformity with financial reporting standards 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:

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 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 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.

6. 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: Million Baht)

| | For the years ended 31 December | | | | 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 | - | - | 2,977 | 3,184 | Reference to market price |
| Purchases of goods | - | - | 13.7 | 9.5 | Reference to market price |
| Purchases of fixed assets | - | - | 0.7 | - | Reference to market price |
| Rental income | - | - | 0.7 | 0.7 | Contract price |
| Service income | - | - | 0.8 | 0.8 | Contract price |
| Commission paid | - | - | 66 | 68 | Contract price |
| Transportation expenses | - | - | 91 | 86 | Reference to market price |
| <u>Transactions with related parties</u> | | | | | |
| Interest expenses | 5.1 | 5.3 | 5.1 | 5.3 | MLR - 1.5 percent per annum |
| Office rental and service expenses | 3.2 | 3.2 | - | - | Contract price |
| Land rental | 4.7 | - | 4.7 | - | Contract price |
| <u>Transaction with related persons</u> | | | | | |
| Land rental | - | 3.9 | - | 3.9 | Contract price |

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

| | (Unit: Thousand Baht) | | | |
|--|-----------------------|----------|----------------------|----------------|
| | Consolidated | | Separate | |
| | financial statements | | financial statements | |
| | 2015 | 2014 | 2015 | 2014 |
| <u>Trade receivable - related party (Note 8)</u> | | | | |
| Tamose Trading Company Limited | - | - | 165,285 | 217,639 |
| Total trade receivable - related party | - | - | 165,285 | 217,639 |
| <u>Trade payable - related party (Note 15)</u> | | | | |
| Tamose Trading Company Limited | - | - | - | 7,390 |
| Total trade payable - related party | - | - | - | 7,390 |
| <u>Other payables - related parties (Note 15)</u> | | | | |
| Tamose Trading Company Limited | - | - | 11,874 | 10,900 |
| Meesup Transport Company Limited | - | - | 3,269 | 2,878 |
| Total other payables - related parties | - | - | 15,143 | 13,778 |

Loans from related party

As at 31 December 2015 and 2014, the balance of long-term loan from related company and the movement is as follow:

| | | (Unit: Thousand Baht) | | | |
|--|-------------------|---|--------------------------|----------|------------------|
| | | Consolidated financial statements / Separate financial statements | | | |
| | | Balance as at | Movement during the year | | Balance as at |
| Long-term loan | Related by | 31 December 2014 | Increase | Decrease | 31 December 2015 |
| 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.

Directors and management's benefits

During the years ended 31 December 2015 and 2014, the Company had employee benefit expenses payable to its directors and management as below.

| | (Unit: Thousand Baht) | |
|------------------------------|-------------------------|-------------|
| | Consolidated / Separate | |
| | financial statements | |
| | 31 December | 31 December |
| | 2015 | 2014 |
| Short-term employee benefits | 31,307 | 31,004 |
| Post-employment benefits | 1,066 | 999 |
| Total | 32,373 | 32,003 |

Guarantee obligations with related party

The Company has outstanding guarantee obligations with its related party, as described in Note 25.4 to the financial statements.

7. Cash and cash equivalents

| | (Unit: Thousand Baht) | | | |
|---------------|-----------------------|-------------|----------------------|-------------|
| | Consolidated | | Separate | |
| | financial statements | | financial statements | |
| | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> |
| Cash | 260 | 265 | 169 | 195 |
| Bank deposits | 440,669 | 331,414 | 264,724 | 184,246 |
| Total | 440,929 | 331,679 | 264,893 | 184,441 |

As at 31 December 2015, bank deposits in saving accounts carried interests at the rate of 0.375 percent per annum (2014: between 0.375 and 0.500 percent per annum).

8. Trade and other receivables

| | (Unit: Thousand Baht) | | | |
|--|-----------------------|----------|----------------------|---------|
| | Consolidated | | Separate | |
| | financial statements | | financial statements | |
| | 2015 | 2014 | 2015 | 2014 |
| <u>Trade receivable - related party</u> | | | | |
| Aged on the basis of due dates | | | | |
| Not yet due | - | - | 156,255 | 163,695 |
| Past due | | | | |
| Up to 3 months | - | - | 9,030 | 53,944 |
| Total trade receivable - related party (Note 6) | - | - | 165,285 | 217,639 |
| <u>Trade receivables - unrelated parties</u> | | | | |
| Aged on the basis of due dates | | | | |
| Not yet due | 423,096 | 415,788 | 241,578 | 241,094 |
| Past due | | | | |
| Up to 3 months | 103,281 | 134,363 | 68,224 | 79,217 |
| 3 - 6 months | 7,841 | 16,159 | 7,313 | 643 |
| 6 - 12 months | 21,389 | 13,662 | 19,146 | 4,216 |
| Over 12 months | 27,748 | 23,412 | 11,004 | 7,453 |
| Total | 583,355 | 603,384 | 347,265 | 332,623 |
| Less: Allowance for doubtful debts | (27,246) | (24,464) | (10,467) | (8,202) |
| Total trade receivables - unrelated parties, net | 556,109 | 578,920 | 336,798 | 324,421 |
| Total trade receivables - net | 556,109 | 578,920 | 502,083 | 542,060 |

9. Inventories

(Unit: Thousand Baht)

| | Consolidated financial statements | | | | | |
|-----------------------------|-----------------------------------|------------------|--|-----------------|-----------------|------------------|
| | Cost | | Reduce cost to net realisable value | | Inventories-net | |
| | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> |
| Finished goods | 541,750 | 823,307 | (18,152) | (30,442) | 523,598 | 792,865 |
| Raw materials | 306,330 | 801,501 | (8,213) | (38,501) | 298,117 | 763,000 |
| Factory supplies and others | 22,733 | 17,679 | - | - | 22,733 | 17,679 |
| Goods in transit | 2,663 | 1,085 | - | - | 2,663 | 1,085 |
| Total | 873,476 | 1,643,572 | (26,365) | (68,943) | 847,111 | 1,574,629 |

(Unit: Thousand Baht)

| | Separate financial statements | | | | | |
|-----------------------------|-------------------------------|------------------|--|-----------------|-----------------|------------------|
| | Cost | | Reduce cost to net realisable value | | Inventories-net | |
| | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> |
| Finished goods | 533,745 | 808,306 | (18,152) | (30,442) | 515,593 | 777,864 |
| Raw materials | 306,330 | 801,501 | (8,213) | (38,501) | 298,117 | 763,000 |
| Factory supplies and others | 22,733 | 17,679 | - | - | 22,733 | 17,679 |
| Goods in transit | - | 9 | - | - | - | 9 |
| Total | 862,808 | 1,627,495 | (26,365) | (68,943) | 836,443 | 1,558,552 |

During the current year, the Company reversed the write-down of cost of inventories by Baht 42.6 million and reduced the amount of inventories recognised as expenses during the year. (2014: the Company reduced cost of inventories by Baht 53.9 million to reflect the net realisable value. This was included in cost of sales).

10. Advance for raw material

(Unit: Thousand Baht)

| | Consolidated / Separate financial statements | |
|--------------------------------|---|-------------------------|
| | <u>31 December 2015</u> | <u>31 December 2014</u> |
| Advance for raw material | 18,053 | 21,224 |
| Less: Allowance for impairment | (18,000) | (18,000) |
| | 53 | 3,224 |

The advance payment for raw materials as at 31 December 2015 included advance cash payment of Baht 18 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.

11. Investments in subsidiaries

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

| Company's name | Paid-up capital | | Shareholding percentage | | Cost | | (Unit: Thousand Baht) Dividend received during the year | |
|----------------------------------|-----------------|-------------|-------------------------|-------------|---------------|---------------|--|---------------|
| | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> |
| | | | (%) | (%) | | | | |
| Tamose Trading Company Limited | 1,000 | 1,000 | 99.94 | 99.94 | 999 | 999 | 21,987 | 19,988 |
| Meesup Transport Company Limited | 9,200 | 9,200 | 99.97 | 99.97 | 10,997 | 10,997 | 8,277 | 7,818 |
| Total | | | | | <u>11,996</u> | <u>11,996</u> | <u>30,264</u> | <u>27,806</u> |

12. Property, plant and equipment

(Unit: Thousand Baht)

| Consolidated financial statements | | | | | | | | |
|--|---------|------------------|------------------------------------|---------------------------------|------------------|----------------|---------------------------|-----------|
| | Land | Land improvement | Buildings and building improvement | Machinery and factory equipment | Office equipment | Motor vehicles | Assets under construction | Total |
| Cost: | | | | | | | | |
| 1 January 2014 | 231,518 | 11,252 | 565,039 | 1,012,823 | 70,471 | 120,802 | 112,836 | 2,124,741 |
| Additions | 4,606 | - | - | 6,001 | 2,697 | 9,106 | 417,056 | 439,466 |
| Transfers in (out) | - | 538 | 216 | 195,101 | 452 | 1,245 | (197,552) | - |
| Disposals | - | - | - | (4,006) | (1,216) | - | - | (5,222) |
| 31 December 2014 | 236,124 | 11,790 | 565,255 | 1,209,919 | 72,404 | 131,153 | 332,340 | 2,558,985 |
| Additions | - | - | - | 9,983 | 2,648 | 13,638 | 58,018 | 84,287 |
| Transfers in (out) | 16,136 | - | 201,345 | 120,242 | 3,495 | 840 | (342,058) | - |
| Transfers to intangible assets | - | - | - | - | - | - | (360) | (360) |
| Capitalised interest | - | - | 1,717 | - | - | - | - | 1,717 |
| Disposals/write-off | - | - | - | (1,226) | (554) | (26) | - | (1,806) |
| 31 December 2015 | 252,260 | 11,790 | 768,317 | 1,338,918 | 77,993 | 145,605 | 47,940 | 2,642,823 |
| Accumulated depreciation: | | | | | | | | |
| 1 January 2014 | - | 1,435 | 252,870 | 649,506 | 51,214 | 60,934 | - | 1,015,959 |
| Depreciation for the year | - | 604 | 26,757 | 50,535 | 8,506 | 9,269 | - | 95,671 |
| Depreciation on disposals | - | - | - | (3,993) | (1,189) | - | - | (5,182) |
| 31 December 2014 | - | 2,039 | 279,627 | 696,048 | 58,531 | 70,203 | - | 1,106,448 |
| Depreciation for the year | - | 694 | 32,575 | 62,454 | 7,860 | 10,369 | - | 113,952 |
| Depreciation on disposals/ write-off | - | - | - | (122) | (544) | (26) | - | (692) |
| 31 December 2015 | - | 2,733 | 312,202 | 758,380 | 65,847 | 80,546 | - | 1,219,708 |
| Net book value: | | | | | | | | |
| 31 December 2014 | 236,124 | 9,751 | 285,628 | 513,871 | 13,873 | 60,950 | 332,340 | 1,452,537 |
| 31 December 2015 | 252,260 | 9,057 | 456,115 | 580,538 | 12,146 | 65,059 | 47,940 | 1,423,115 |
| Depreciation for the year | | | | | | | | |
| 2014 (Baht 68.76 million included in manufacturing cost, and the balance in selling and administrative expenses) | | | | | | | | 95,671 |
| 2015 (Baht 85.13 million included in manufacturing cost, and the balance in selling and administrative expenses) | | | | | | | | 113,952 |

12. Property, plant and equipment (continued)

(Unit: Thousand Baht)

| | Separate financial statements | | | | | | | Total |
|--|-------------------------------|-------------|--------------|-------------|-----------|----------|-----------|-----------|
| | | Land | Buildings | Machinery | Office | Motor | Assets | |
| | Land | improvement | and building | and factory | equipment | vehicles | under | |
| Cost: | | | | | | | | |
| 1 January 2014 | 231,518 | 11,252 | 562,837 | 1,012,824 | 59,211 | 39,125 | 112,837 | 2,029,604 |
| Additions | 4,606 | - | - | 6,001 | 2,687 | - | 417,057 | 430,351 |
| Transfers in (out) | - | 538 | 217 | 195,100 | 452 | 1,246 | (197,553) | - |
| Disposals | - | - | - | (4,006) | (1,100) | - | - | (5,106) |
| 31 December 2014 | 236,124 | 11,790 | 563,054 | 1,209,919 | 61,250 | 40,371 | 332,341 | 2,454,849 |
| Additions | - | - | - | 9,983 | 2,533 | 3,363 | 58,018 | 73,897 |
| Transfers in (out) | 16,136 | - | 201,345 | 120,242 | 3,495 | 840 | (342,418) | - |
| Transfers to intangible assets | - | - | - | - | - | - | (360) | (360) |
| Capitalised interest | - | - | 1,717 | - | - | - | - | 1,717 |
| Disposals/write-off | - | - | - | (1,226) | (429) | - | - | (1,655) |
| 31 December 2015 | 252,260 | 11,790 | 766,116 | 1,338,918 | 66,849 | 44,574 | 47,941 | 2,528,448 |
| Accumulated depreciation: | | | | | | | | |
| 1 January 2014 | - | 1,435 | 252,754 | 649,506 | 41,887 | 14,133 | - | 959,715 |
| Depreciation for the year | - | 604 | 26,646 | 50,535 | 7,940 | 2,121 | - | 87,846 |
| Depreciation on disposals | - | - | - | (3,993) | (1,073) | - | - | (5,066) |
| 31 December 2014 | - | 2,039 | 279,400 | 696,048 | 48,754 | 16,254 | - | 1,042,495 |
| Depreciation for the year | - | 694 | 32,465 | 62,454 | 7,440 | 2,570 | - | 105,623 |
| Depreciation on disposals/ write-off | - | - | - | (122) | (419) | - | - | (541) |
| 31 December 2015 | - | 2,733 | 311,865 | 758,380 | 55,775 | 18,824 | - | 1,147,577 |
| Net book value: | | | | | | | | |
| 31 December 2014 | 236,124 | 9,751 | 283,654 | 513,871 | 12,496 | 24,117 | 332,341 | 1,412,354 |
| 31 December 2015 | 252,260 | 9,057 | 454,251 | 580,538 | 11,074 | 25,750 | 47,941 | 1,380,871 |
| Depreciation for the year | | | | | | | | |
| 2014 (Baht 68.76 million included in manufacturing cost, and the balance in selling and administrative expenses) | | | | | | | | 87,846 |
| 2015 (Baht 85.13 million included in manufacturing cost, and the balance in selling and administrative expenses) | | | | | | | | 105,623 |

As at 31 December 2015, certain items of equipment were fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation of those assets amounted to approximately Baht 386 million (2014: Baht 330 million) (the Company only; 2015: Baht 354 million, 2014: Baht 300 million).

13. Intangible assets

The net book value of intangible assets as at 31 December 2015 and 2014 is presented below.

(Unit: Thousand Baht)

| | Consolidated financial statements | | | Separate financial statements | | |
|--------------------------------------|-----------------------------------|---------------------------|---------------|-------------------------------|---------------------------|---------------|
| | System | | Total | System | | Total |
| | Computer software | development under process | | Computer software | development under process | |
| As at 31 December 2015 | | | | | | |
| Cost | 52,416 | 546 | 52,962 | 52,009 | 546 | 52,555 |
| <u>Less</u> Accumulated amortisation | (25,490) | - | (25,490) | (25,125) | - | (25,125) |
| Net book value | <u>26,926</u> | <u>546</u> | <u>27,472</u> | <u>26,884</u> | <u>546</u> | <u>27,430</u> |
| As at 31 December 2014 | | | | | | |
| Cost | 51,881 | 546 | 52,427 | 51,474 | 546 | 52,020 |
| <u>Less</u> Accumulated amortisation | (20,577) | - | (20,577) | (20,228) | - | (20,228) |
| Net book value | <u>31,304</u> | <u>546</u> | <u>31,850</u> | <u>31,246</u> | <u>546</u> | <u>31,792</u> |

A reconciliation of the net book value of intangible assets for the years 2015 and 2014 is presented below.

(Unit: Thousand Baht)

| | Consolidate | | Separate | |
|--|----------------------|---------------|----------------------|---------------|
| | financial statements | | financial statements | |
| | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> |
| Net book value at beginning of year | 31,850 | 32,556 | 31,792 | 32,483 |
| Acquisition of computer software | 175 | 1,293 | 175 | 1,293 |
| Increase of system development under process | - | 2,646 | - | 2,646 |
| Transfer from property, plant and equipment | 360 | - | 360 | - |
| Amortisation | (4,913) | (4,645) | (4,897) | (4,630) |
| Net book value at end of year | <u>27,472</u> | <u>31,850</u> | <u>27,430</u> | <u>31,792</u> |

14. Short-term loans from financial institutions

(Unit: Thousand Baht)

| | Interest rate (Percent per annum) | Consolidated / Separate financial statements | |
|--|--------------------------------------|--|------------------|
| | | 31 December 2015 | 31 December 2014 |
| Short-term loans from financial institutions | 2.45 - 2.59 | 575,262 | 1,217,920 |
| Trust receipt | 2.01 | 5,003 | 172,120 |
| | | <u>580,265</u> | <u>1,390,040</u> |

The credit facilities agreements 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 agreements.

As at 31 December 2015, the credit facilities of the Company and its subsidiaries which have not yet been drawn down amounted to Baht 5,300 million (2014: Baht 4,462 million).

15. Trade and other payables

(Unit: Thousand Baht)

| | Consolidated | | Separate | |
|---|----------------------|------------------|----------------------|------------------|
| | financial statements | | financial statements | |
| | 31 December 2015 | 31 December 2014 | 31 December 2015 | 31 December 2014 |
| Trade payables - unrelated parties | 94,244 | 1,437 | 89,926 | - |
| Trade payables - related party (Note 6) | - | - | - | 7,390 |
| Other payables - related parties (Note 6) | - | - | 15,143 | 13,778 |
| Other payables - unrelated parties | 34,316 | 63,267 | 32,662 | 61,586 |
| Accrued expenses | 22,479 | 36,076 | 15,975 | 29,729 |
| Total trade and other payables | <u>151,039</u> | <u>100,780</u> | <u>153,706</u> | <u>112,483</u> |

16. Long-term loans from financial institution

(Unit: Thousand Baht)

| Loan | Interest rate (%) | Repayment schedule | Consolidated financial statements/ Separate financial statements | |
|--|----------------------|---|---|----------------|
| | | | 2015 | 2014 |
| 1 | MLR - 2.4 | Monthly installment as from January 2016 | 407,000 | 201,000 |
| Less: Portion due within one year | | | (67,833) | - |
| Long-term loans - net of current portion | | | <u>339,167</u> | <u>201,000</u> |

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.

17. Provision for long-term employee benefits

Provision for long-term employee benefits, which represents compensation payable to employee after they retire from the Company and its subsidiaries, was as follows:

(Unit: Thousand Baht)

| | Consolidated financial statements | | Separate financial statements | |
|---|--------------------------------------|---------------|----------------------------------|---------------|
| | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> |
| Provision for long-term employee benefits at beginning of year | 23,403 | 20,564 | 18,667 | 16,318 |
| Included in profit or loss: | | | | |
| Current service cost | 2,032 | 1,955 | 1,693 | 1,647 |
| Interest cost | 986 | 884 | 782 | 702 |
| Included in other comprehensive income: | | | | |
| Actuarial loss arising from | | | | |
| Demographic assumptions changes | 213 | - | 128 | - |
| Financial assumptions changes | 2,751 | - | 2,111 | - |
| Experience adjustments | 1,101 | - | 1,162 | - |
| Benefits paid during the year | (800) | - | (800) | - |
| Provision for long-term employee benefits at end of year | <u>29,686</u> | <u>23,403</u> | <u>23,743</u> | <u>18,667</u> |

Long-term employee benefit expenses included in the profit or loss consist of the following:

| | (Unit: Thousand Baht) | | | |
|---|-----------------------|--------------|----------------------|--------------|
| | Consolidated | | Separate | |
| | financial statements | | financial statements | |
| | 2015 | 2014 | 2015 | 2014 |
| Cost of sales | 558 | 469 | 558 | 469 |
| Selling and administrative expenses | 2,460 | 2,370 | 1,917 | 1,880 |
| Total expenses recognised in profit or loss | <u>3,018</u> | <u>2,839</u> | <u>2,475</u> | <u>2,349</u> |

The Company and its subsidiaries expect to pay Baht 2.7 million of long-term employee benefits during the next year (Separate financial statements: Baht 2.7 million).

As at 31 December 2015, the weighted average duration of the liabilities for long-term employee benefit is 16 years (Separate financial statements: 16 years).

Significant actuarial assumptions are summarised below:

| | Consolidated financial statements | | Separate financial statements | |
|--|-----------------------------------|---------------|-------------------------------|---------------|
| | 2015 | 2014 | 2015 | 2014 |
| | (% per annum) | (% per annum) | (% per annum) | (% per annum) |
| Discount rate | 3.1 | 4.3 | 3.1 | 4.3 |
| Future salary increase rate | 3 - 9 | 3 - 9 | 3 - 9 | 3 - 9 |
| Staff turnover rate (depending on age) | 0 - 40 | 0 - 40 | 0 - 40 | 0 - 40 |

The result of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation as at 31 December 2015 are summarised below:

| | (Unit: million Baht) | | | |
|----------------------|-----------------------------------|-------------|-------------------------------|-------------|
| | Consolidated financial statements | | Separate financial statements | |
| | Increase 1% | Decrease 1% | Increase 1% | Decrease 1% |
| Discount rate | (2.3) | 2.7 | (1.8) | 2.1 |
| Salary increase rate | 2.7 | (2.3) | 2.1 | (1.8) |

| | (Unit: million Baht) | | | |
|---------------------|-----------------------------------|--------------|-------------------------------|--------------|
| | Consolidated financial statements | | Separate financial statements | |
| | Increase 20% | Decrease 20% | Increase 20% | Decrease 20% |
| Staff turnover rate | (1.5) | 1.9 | (1.2) | 1.5 |

18. 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. At present, the statutory reserve has fully been set aside.

19. Expenses by nature

Significant expenses classified by nature are as follows:

| | (Unit: Thousand Baht) | | | |
|--|-----------------------|-------------|----------------------|-------------|
| | Consolidated | | Separate | |
| | financial statements | | financial statements | |
| | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> |
| Salaries and wages and other employee benefits | 285,280 | 272,403 | 234,325 | 223,276 |
| Depreciation and amortisation expenses | 118,865 | 100,316 | 110,520 | 92,477 |
| Transportation expenses | 33,223 | 25,183 | 107,971 | 97,252 |
| Commission expenses | 3,857 | 3,325 | 67,489 | 69,185 |
| Raw materials and consumables used | 5,637,321 | 6,283,135 | 5,637,321 | 6,283,135 |
| Changes in inventories of finished goods | 281,557 | (215,151) | 274,561 | (219,858) |

20. Income tax

Income tax expenses for the years ended 31 December 2015 and 2014 are made up as follows:

| | (Unit: Thousand Baht) | | | |
|--|-----------------------|---------------|----------------------|---------------|
| | Consolidated | | Separate | |
| | financial statements | | financial statements | |
| | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> |
| Current income tax: | | | | |
| Current income tax charge | 16,353 | 51,738 | - | 34,335 |
| Adjustment in respect of income tax of previous year | 5 | - | 5 | - |
| Deferred tax: | | | | |
| Relating to origination and reversal of temporary differences | 13,532 | (6,506) | 13,744 | (6,291) |
| Income tax expenses reported in the statement of comprehensive income | <u>29,890</u> | <u>45,232</u> | <u>13,749</u> | <u>28,044</u> |

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2015 and 2014 are as follows:

| | (Unit: Thousand Baht) | | | |
|---|-----------------------|-------------|----------------------|-------------|
| | Consolidated | | Separate | |
| | financial statements | | financial statements | |
| | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> |
| Deferred tax relating to actuarial losses | 813 | - | 680 | - |

The reconciliation between accounting profit and income tax expenses is shown below.

| | (Unit: Thousand Baht) | | | |
|--|-----------------------|----------------|----------------------|----------------|
| | Consolidated | | Separate | |
| | financial statements | | financial statements | |
| | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> |
| Accounting profit (loss) before tax | <u>(13,100)</u> | <u>226,310</u> | <u>(62,736)</u> | <u>168,168</u> |
| Applicable tax rate | 20% | 20% | 20% | 20% |
| Accounting profit (loss) before tax multiplied by income tax rate | (2,620) | 45,262 | (12,547) | 33,634 |
| Effects of: | | | | |
| Non-deductible expenses | 283 | 258 | 191 | 177 |
| Additional expense deductions allowed | (13) | (201) | (13) | (201) |
| Dividend income from subsidiaries | - | - | (6,053) | (5,561) |
| Tax loss for the year which unrecognised to deferred tax asset | 32,166 | - | 32,166 | - |
| Others | 74 | (87) | 5 | (5) |
| Total | <u>32,510</u> | <u>(30)</u> | <u>26,296</u> | <u>(5,590)</u> |
| Income tax expenses reported in the statement of comprehensive income | <u>29,890</u> | <u>45,232</u> | <u>13,749</u> | <u>28,044</u> |

The components of deferred tax assets and deferred tax liabilities are as follows:

(Unit: Thousand Baht)

| | Statements of financial position | | | |
|---|-----------------------------------|-------------|-------------------------------|-------------|
| | Consolidated financial statements | | Separate financial statements | |
| | As at | As at | As at | As at |
| | 31 December | 31 December | 31 December | 31 December |
| | 2015 | 2014 | 2015 | 2014 |
| Deferred tax assets | | | | |
| Allowance for doubtful accounts | 5,449 | 4,893 | 2,093 | 1,641 |
| Allowance for diminution in value of inventories | 5,273 | 13,788 | 5,273 | 13,788 |
| Allowance for advance for raw material | 3,600 | 3,600 | 3,600 | 3,600 |
| Provision for long-term employee benefits | 5,937 | 4,680 | 4,749 | 3,733 |
| Total | 20,259 | 26,961 | 15,715 | 22,762 |
| Deferred tax liabilities | | | | |
| Difference depreciation between tax and accounting base | 24,914 | 18,897 | 24,914 | 18,897 |
| Total | 24,914 | 18,897 | 24,914 | 18,897 |
| Presentation in the statements of financial position | | | | |
| Deferred tax assets | 4,544 | 8,064 | - | 3,865 |
| Deferred tax liabilities | (9,199) | - | (9,199) | - |
| Total | (4,655) | 8,064 | (9,199) | 3,865 |

As at 31 December 2015, the Company has unused tax losses totaling Baht 32.2 million (2014: Nil), on which deferred tax assets have not been recognised due to steel price fluctuations and uncertain economic conditions.

The unused tax losses of Baht 32.2 million will expire by 2020.

21. Earnings per share

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

22. 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 year ended 31 December 2015, export sales of the Company and its subsidiaries represented approximately 1.6 percent (31 December 2014: 1.8 percent) of total sales. The export sales of the Company only for year then ended represented approximately 1.4 percent (31 December 2014: 1.7 percent) of the Company's sales.

For the year 2015 and 2014, the Company and its subsidiaries have no major customer with revenue of 10 percent or more of an entity's revenues.

23. 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 contribute to the fund monthly at the rate of 5 percent of basic salary. The fund will be paid to employees upon termination in accordance with the fund rules. The contribution for the year 2015 amounting to approximately Baht 3.8 million (2014: Baht 3.7 million) were recognized as expense.

24. Dividends

| Dividends | Approved by | Total dividends (Million Baht) | Dividend per share (Baht/share) |
|--------------------------|--|--------------------------------------|---------------------------------------|
| Final dividends for 2013 | Annual General Meeting of the shareholders on 23 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 |

25. Commitments and contingent liabilities

25.1 Capital commitments

As at 31 December 2015, the Company had capital commitments of approximately Baht 1.8 million (2014: Baht 13.9 million) relating to computer system development.

25.2 Letters of credit

The Company and its subsidiaries had commitments under letters of credit with overseas suppliers amounting to approximately USD 0.08 million and Euro 0.05 million (2014: USD 1.6 million).

25.3 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.

Future minimum lease payments required under these non-cancellable operating leases contracts were as follows.

(Unit: Million Baht)

| | Consolidated financial statements | | | |
|-----------------------------|-----------------------------------|-------------|-------------------|-------------|
| | Related parties | | Unrelated parties | |
| | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> |
| Payable: | | | | |
| In up to 1 year | 6.6 | 6.6 | 1.5 | 3.0 |
| In over 1 and up to 5 years | 20.5 | 11.2 | 2.2 | - |
| In over 5 year | 37.6 | 15.5 | - | - |

(Unit: Million Baht)

| | Separated financial statements | | | |
|-----------------------------|--------------------------------|-------------|-------------------|-------------|
| | Related parties | | Unrelated parties | |
| | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> |
| Payable: | | | | |
| In up to 1 year | 4.8 | 3.4 | 1.5 | 2.7 |
| In over 1 and up to 5 years | 20.5 | 9.3 | 2.2 | - |
| In over 5 year | 37.6 | 15.5 | - | - |

25.4 Guarantees

- (1) As at 31 December 2015, there were outstanding bank guarantees of approximately Baht 83 million (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 business. These included letters of guarantee amounting to Baht 66 million (2014: Baht 46 million) to guarantee payments due to Customs Department, Baht 15 million (2014: Baht 14 million) to guarantee electricity use and Baht 1 million (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 guaranteed credit card facility of its subsidiary company amounting to Baht 1 million (2014: Baht 1 million).

26. Financial instruments

26.1 Financial risk management

The Company and its 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, investments, accounts payable and short-term and long-term loans. The financial risks associated with these financial instruments and how they are managed is described below.

Credit risk

The Company and its subsidiaries are exposed to credit risk primarily with respect to trade and other receivables. The Company and its 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 its subsidiaries do not have high concentrations of credit risk since they have a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of trade and other receivables as stated in the statement of financial position.

Interest rate risk

The Company and its subsidiaries' exposure to interest rate risk relates primarily to its cash at banks, short-term and long-term borrowings. Most of the Company and its subsidiaries' financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate.

Significant financial assets and liabilities classified by type of interest rate 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.

(Million Baht)

| As at 31 December 2015 | | | | | |
|--|---------------------------------|---------------------------|--------------------------|-------|---|
| Consolidated financial statements | Fixed | | | Total | Effective interest rate (% per annum) |
| | interest rates within 1 year | Floating interest rate | Non- interest bearing | | |
| <u>Financial Assets</u> | | | | | |
| Cash and cash equivalent | - | 441 | - | 441 | 0.375 |
| Trade and other receivables | - | - | 556 | 556 | - |
| | - | 441 | 556 | 997 | |
| <u>Financial liabilities</u> | | | | | |
| Short-term loans from financial institutions | 580 | - | - | 580 | 2.01 - 2.59 |
| Trade and other payables | - | - | 151 | 151 | - |
| Long-term loan from related party | - | 100 | - | 100 | MLR - 1.5 |
| Long-term loans from financial institution | - | 407 | - | 407 | MLR - 2.4 |
| | 580 | 507 | 151 | 1,238 | |

(Million Baht)

| As at 31 December 2014 | | | | | |
|--|---------------------------------|---------------------------|--------------------------|-------|---|
| Consolidated financial statements | Fixed | | | Total | Effective interest rate (% per annum) |
| | interest rates within 1 year | Floating interest rate | Non- interest bearing | | |
| <u>Financial Assets</u> | | | | | |
| Cash and cash equivalent | - | 332 | - | 332 | 0.375 - 0.50 |
| Trade and other receivables | - | - | 579 | 579 | - |
| | - | 332 | 579 | 911 | |
| <u>Financial liabilities</u> | | | | | |
| Short-term loans from financial institutions | 1,390 | - | - | 1,390 | 1.95 - 3.43 |
| Trade and other payables | - | - | 101 | 101 | - |
| Long-term loan from related party | - | 100 | - | 100 | MLR - 1.5 |
| Long-term loans from financial institution | - | 201 | - | 201 | MLR - 2.4 |
| | 1,390 | 301 | 101 | 1,792 | |

(Million Baht)

As at 31 December 2015

| Separate financial statements | Fixed | Floating | Non- interest | Total | Effective |
|--|---------------------------------|---------------|---------------|-------|---------------|
| | interest rates within 1 year | interest rate | bearing | | interest rate |
| | | | | | (% per annum) |
| Financial Assets | | | | | |
| Cash and cash equivalent | - | 265 | - | 265 | 0.375 |
| Trade and other receivables | - | - | 502 | 502 | - |
| | - | 265 | 502 | 767 | |
| Financial liabilities | | | | | |
| Short-term loans from financial institutions | 580 | - | - | 580 | 2.01 - 2.59 |
| Trade and other payables | - | - | 154 | 154 | - |
| Long-term loan from related party | - | 100 | - | 100 | MLR - 1.5 |
| Long-term loans from financial institution | - | 407 | - | 407 | MLR - 2.4 |
| | 580 | 507 | 154 | 1,241 | |

(Million Baht)

As at 31 December 2014

| Separate financial statements | Fixed | Floating | Non- interest | Total | Effective |
|--|---------------------------------|---------------|---------------|-------|---------------|
| | interest rates within 1 year | interest rate | bearing | | interest rate |
| | | | | | (% per annum) |
| Financial Assets | | | | | |
| Cash and cash equivalent | - | 184 | - | 184 | 0.375 - 0.50 |
| Trade and other receivables | - | - | 542 | 542 | - |
| | - | 184 | 542 | 726 | |
| Financial liabilities | | | | | |
| Short-term loans from financial institutions | 1,390 | - | - | 1,390 | 1.95 - 3.43 |
| Trade and other payables | - | - | 112 | 112 | - |
| Long-term loan from related party | - | 100 | - | 100 | MLR - 1.5 |
| Long-term loans from financial institution | - | 201 | - | 201 | MLR - 2.4 |
| | 1,390 | 301 | 112 | 1,803 | |

Foreign currency risk

The Company and its subsidiary's exposure to foreign currency risk arise mainly from trading transactions and borrowings that are denominated in foreign currencies.

The Company and its subsidiary have financial assets and financial liabilities denominated in foreign currencies which mature within one year and are unhedged for the foreign currency risk as follows:

| Foreign currency | Financial assets as at 31 December | | Financial liabilities as at 31 December | | Average exchange rate as at 31 December | |
|------------------|---------------------------------------|--------------------------|--|--------------------------|---|-------------|
| | <u>2015</u> (Million) | <u>2014</u> (Million) | <u>2015</u> (Million) | <u>2014</u> (Million) | <u>2015</u> (Baht per 1 foreign currency unit) | <u>2014</u> |
| US dollar | 0.03 | - | 0.2 | 3.9 | 36.0022 | 32.8834 |
| Euro | - | - | - | 1.1 | 39.2832 | 39.9180 |

26.2 Fair values of financial instruments

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

27. 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 December 2015, the Group's debt-to-equity ratio was 0.65:1 (2014: 0.85:1) and the Company's was 0.74:1 (2014: 0.95:1).

28. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 24 February 2016.