



# ANNUAL REPORT

# 2015



**SANKO DIECASTING (THAILAND) PUBLIC COMPANY LIMITED**



## CONTENTS

1. Message from the Chairman	1
2. Message from the Chief Executive Office	2
3. Board of Directors	3
4. Policies and Overview of Business	9
5. Nature of Business	16
6. Risk Factors	37
7. Company profile and general information	42
8. Assets and Shareholders Information	43
9. Dividend Policy	45
10. Organization Chart	46
11. Corporate Governance	54
12. Corporate Social Responsibility (CSR)	65
13. Internal control and risks management	71
14. Inter Company Transaction	74
15. Key Financial Information	81
16. Auditor's Report	126
17. Report of the Board of Directors' Responsibilities for the Financial Statements	133
18. The Audit Committee Report	134
19. Management Discussion & Analysis	137

Remark: Investor can find out more information about the Issuing Company from the Financial Statement (form 56-1) of the Company in the website [www.sec.or.th](http://www.sec.or.th) or at the Company's website [www.sankothai.net](http://www.sankothai.net)

## Message from the Chief Executive Officer



Dear Shareholders of Sanko Diecasting (Thailand) Public Company Limited

For the past 3 years (2013-2015), the world's economy and the domestic economy have severely declined, causing the automobile business to be affected greatly. The total production and sales have reduced 30 – 40% due to the decrease in demands of the market, including the reduction in the purchasing power of consumers domestically. SANKO, as the automobile parts producer have consequently been affected as well.

As the management of the Company, SANKO requires new strategies for the purpose of compensating the total sales of the Company by looking more at foreign markets instead of the domestic market, originally. Some of the products have already been exported towards the end of 2015, while other deals are still in the process of negotiation and it is estimated that there will be more orders coming this year. Moreover, the Company had improved on the quality control policy which can be seen from the significant increase of the financial aspect of the Company. If everything proceeds according to plan, I believe that there will be good news in terms of performance this year.

As part of the management, I am well aware of the desires, the wishes and the concerns of all the shareholders and promise to dedicate myself, to the best of my ability, for leading SANKO forwards and achieving its goals.

A handwritten signature in black ink, appearing to read 'Rattawat Suksaichol'.

(Mr. Rattawat Suksaichol)  
Chief Executive Officer

## Board of Directors



5 4 3 1 2 6 7 8

- |                                    |                       |
|------------------------------------|-----------------------|
| 1. Mr. Masami Katsumoto            | Chairman of the Board |
| 2. Mr. Naohiro Hamada              | Director              |
| 3. Mr. Rattawat Suksaichol         | Director              |
| 4. Mrs. Poonsri Pattamavorakulchai | Director              |
| 5. Mr. Yuttana Taepangthong        | Director              |
| 6. Ms. Valaiporn Kanignunta        | Independent Director  |
| 7. Mr. Santi Niamnil               | Independent Director  |
| 8. Mr. Nipan Tungpiruttham         | Independent Director  |

<p><b>Mr. Masami Katsumoto</b> Chairman of the Board</p> 	<p><u>Age</u> 67 years old  <u>Date appointed</u> 28 April 2014  <u>Shareholding</u> 6.75% (20,090,600 Shares)  <u>Education</u>                      1967 : High School attached to the Faculty of Education, The University of Tokyo                      1971 : Mechanical Engineering,                                        College of Science and Technology Nihon University  <u>IOD Courses</u>                      Director Accreditation Program (DAP) year 83/2553  <u>5 Years Work Experience</u>                      1996 – 2016 Chairman of the Board and Chief Executive Officer                                        Sanko Diecasting (Thailand)                      Present Chairman of the Board                                        Sanko Diecasting (Thailand)  <u>Board member</u>                      Listed Company 1 company                      Non-Listed Company -</p>
<p><b>Mr. Naohiro Hamada</b> Director</p> 	<p><u>Age</u> 74 years old  <u>Date of Appointment</u> 28 April 2015  <u>Shareholding</u> 0.96% (2,858,800 Shares)  <u>Education</u>                      1959 : Commerce Course, Shiwko Sensor High School                      1963 : English Course, Pal more Institution  <u>IOD Courses</u>                      Director Accreditation Program (DAP) year 83/2553  <u>5 Years Work Experience</u>                      2007 – Present Board of Directors Sanko Diecasting (Thailand)                      2010 – 2011 Board of Directors Excel Metal Forging Co., Ltd.                      2007 – 2011 Managing Director Thai Industry Parts Ltd.  <u>Board member</u>                      Listed Company 1 company                      Non-Listed Company 1</p>



**Mr. Yuthana Taepangthong**

**Director**



Age 43 years old

Date appointed 8 August 2014

Shareholding 0.00%

Education

1999 : Bachelor of Accounting, Bangkok University

IOD Courses

Director Accreditation Program (DAP) year 120/2015

5 Years Work Experience

2016 - Present Director 105 Solar Power co.ltd

2015 – Present Managing Director and Director

Advance Connection Corporation Public Company Limited

2014- Present Director Sanko Diecasting (Thailand) Plc.

2015 - Present Director AEC Electric co.ltd

2015 - Present Director AEC Landmark co.ltd

2015 - Present Director AEC Green Energy co.ltd

2015 - Present Director W Solar co.ltd

2015 - Present Director Bangpakong Solar Power co.ltd

2014 - Present Director C.E.I (Chiangmai) co.ltd

2014- Present Managing Director Happy Frame 168 co.ltd

2013 - Present Managing Director New & First Creation co.ltd


1994 - 2014 Director of Accounting and Finance Jubilee Enterprise Plc.

2013 - 2013 Audit Committee Electronics Industry co.ltd

Board member

Listed Company 2 companies

Non-Listed Company 7 companies

<p><b>Miss Walaiporn Kaniknanta</b> Independent Director/ Chairman of the Audit Committee</p> 	<p><u>Age</u> 60 years old <u>Date appointed</u> 28 April 2014 <u>Shareholding</u> 0.00% <u>Education</u> 1978: Bachelor of Accountancy, Chulalongkorn University 1979 : Higher Graduate Diploma in Accountancy, Thammasart University <u>IOD Courses</u> Director Accreditation Program (DAP) year 80/2009 <u>5 Years Work Experience</u> 2009 - Present Independent Director and Chairman of the Audit Committee Sanko Diecasting (Thailand) 2007 – Present Accounting Consultant SC System Network co.ltd 2007 – Present Accounting Consultant Isin Clutch Disk co.ltd 2007 – Present Accounting Consultant PMC Management and Consultant co.ltd <u>Board member</u> Listed Company 1 company Non-Listed Company -</p>
<p><b>Mr. Nipan Tangpiruttham</b> Independent Director/Audit Committee</p> 	<p><u>Age</u> 55 years old <u>Date appointed</u> 11 April 2013 <u>Shareholding</u> 0.00% <u>Education</u> 1979: Bachelor of Law, Faculty of Law, Thammasart University <u>IOD Courses</u> Director Accreditation Program (DAP) year 80/2009 <u>5 Years Work Experience</u> 2009 - Present Independent Director and the Audit Committee Sanko Diecasting (Thailand) 2000 - Present Managing Director Master Glove Industry co.ltd 1993 - Present Managing Director Rose and Green co.ltd 2000 - Present Managing Director Super Glove Industry co.ltd <u>Board member</u> Listed Company 1 company Non-Listed Company -</p>



**Mr. Santi Niemnil**  
**Independent**  
**Director/Audit Committee**



Age 47 years old

Date appointed 28 April 2015

Shareholding 0.00%

Education

1993 : Bachelor of Law, Ramkhamhaeng University

IOD Courses

Director Accreditation Program (DAP) year 80/2009

5 Years Work Experience

2009 – Present Independent Director and Audit Committee

Sanko Diecasting (Thailand)

2002 – Present Director You Send Air & Sea Service Management (Thailand) co.ltd

2003 – 2015 Managing Director Anake Advocate co.ltd

Board member

Listed Company 1 company

Non-Listed Company -

## 4. Policies and Overview of Business

### 4.1 Vision, Mission and Core Value

Sanko Diecasting (Thailand) Public Company Limited was founded in January 1996 and started operation in April 1997 by manufacturing automobile parts and electronic components through the process of High Pressure Die Casting (HPDC) with molds from Aluminum and Zinc as raw materials.

#### Visions

Sanko has a commitment to be proficient, to lead in the Die Casting Industry and to be recognized internationally; Continuing to acquire innovations in all its operations and create new products obtaining its own trademark; Producing quality products and services for customer satisfaction and business sustainability.

#### Missions

- Perform with excellence in all its operations.
- Create innovations and use modern technologies in designing and production development.
- Mobilize employees' potentials in creating its company's very own brand within the year 2019 as a common goal.

#### Core Value

- Innovation
- Proactive Working
- Achievement Orientation
- Sense of Belonging

### Company's Strategies

- **Quality:** The Company can produce parts which are of the best quality and are well received among the automobiles producers. Moreover, the Company has been certified by the International Standards ISO 9001:2008 and ISO/TS 16949:2009 to ensure and build up confidence for the customers in the long run.
- **Knowledge and Technology:** The Company is specialized in designing molds which is the Know-How that has been passed down from generations to generations. Moreover, the Company continuously develops the production lines, so that it can respond to the demands of the customers.
- **Manufacturing:** Due to the design of the production line, the parts produced can be adjusted quickly with no hassle, meaning that the Company can support a variety of clients from many different industrial groups which reflects the continuous growth of the Company's revenue.
- **Marketing:** The Company has expanded internationally to reduce the risk of the domestic economic situation which increases the demands in the wider group of clients. Also, the Company expands the client base domestically to other businesses other than the automobiles industry by focusing on the groups that the Company is familiar with the productions and services.
- **Products:** Increase the production lines by introducing new injection technique which is "Gravity Die Casting" to add a variety of products and to reduce the restrictions in production and to meet the demands of the clients more. The increase in numbers of machineries, which the Company already has specialized in productions, means that the company can provide a full range of complete service to customers.

### **4.2 Changes and Important Developments**

#### 1996

- January :The Company is registered as Sanko Diecasting (Thailand) co.,ltd, with registered capital of 11.50 million Baht, divided into 115,000 shares at 100 Baht per share and fully paid-in with the major shareholding group as Sanko Diecasting Industry co.,ltd (Japan), SBCS co.,ltd, and Wattana Inter Trade co.,ltd
- October :Increase the registered and paid-in capital to 88 million Baht from the original shareholders and the capital funds JAIC Nippon Asia 2 and South-East Asia Private Equity (GBR).

2004

April :Mr. Masami Katsumoto had bought 244,895 shares of the Company or 27.83% of the registered and paid-in capital of the Company at the time, from Sanko Diecasting Industry co.,Ltd (Japan).

2005

June :Sanko Diecasting Industry co.,Ltd (Japan) had sold 235,101 shares of the Company or 26.72% of the registered and paid-in capital of the Company at the time to Asutech co.,Ltd. In addition, JAIC Nippon Asia 2 fund and South-East Asia Private Equity (GBR) fund had sold 400,000 shares, Mr. Masami Katsumoto had sold 54,017 shares for the total of 454,017 shares or 61.38% of the registered and paid-in capital of the Company at the time to Thai Industrial Parts co.,Ltd and Jutha Wan co.,Ltd.

2006

April :The Company had received the Certified International Standards ISO 9001:2000 from the United Kingdom Accreditation Service (UKAS) and approved by United Registrar of Systems (Thailand) co.,Ltd.

:The Company had received the Certified International Standards ISO/TS 16949:2002 from the International Automotive Task Force (IATF) and approved by United Registrar of Systems (Thailand) co.,Ltd.

2008

March :Asutech co.,Ltd had sold 235,101 shares or 26.72% of the registered and paid-in capital of the Company at the time to Thai Industrial Parts co.,Ltd.

April :Thai Industrial Parts co.,Ltd (TIP) had sold the transferred shares from Asutech co.,Ltd 235,101 shares or 26.72% of the registered and paid-in capital of the Company at the time to the Directors of the Pinthong Group and minority shareholders.

July :Jutha Wan co.,Ltd had sold 228,996 shares or 26.02% of the registered and paid-in capital of the Company at the time to JTW Assets co.,Ltd.

:The Company had received the certified standards for Environmental Management System ISO 14001:2004 from United Kingdom Accreditation Service (UKAS) and approved by United Registrar of Systems (Thailand) co.,Ltd.

October :Vnet Capital co.,Ltd had invested in the Company by buying 246,000 shares or 27.95% of the registered and paid-in capital of the Company at the time from the Pinthong Group.

2009

April :The Company had received the Certified International Standards ISO 9001:2008 from the United Kingdom Accreditation Service (UKAS) and approved by United Registrar of Systems (Thailand) co.,Ltd.

:The Company had received the Certified International Standards ISO/TS 16949:2009 from the International Automotive Task Force (IATF) and approved by United Registrar of Systems (Thailand) co.,Ltd.

December :The decision was made at the 2<sup>nd</sup> General Shareholders Meeting on 15<sup>th</sup> December 2009 to convert into the Public Company status and change the value of the shares from 100 Baht to 1 Baht.

:The Company had been certified on the implementation of Occupational Health and Safety Management System TIS 1800:1999 and approved by United Registrar of Systems (Thailand) co.,Ltd.

:The Company had been certified on the implementation of Occupational Health and Safety Management System OHSAS 19001:2007 from the United Kingdom Accreditation Service (UKAS) and approved by United Registrar of Systems (Thailand) co.,Ltd.

2011

June :The decision was made at the 1<sup>st</sup> General Shareholders Meeting on 10<sup>th</sup> June 2011 to change the value of the company's shares from 1 Baht per share to 0.50 Baht per share. Another decision was made to increase the registered capital to 113 million Baht, consisting of 226 million shares at 0.50 Baht per share.

2012

May :The decision was made at the 1<sup>st</sup> General Shareholders Meeting on 30<sup>th</sup> May 2012 to approve the issuing and selling of shares to the general public for 44 million shares at 0.50 Baht per share and issuing and selling of the stock-purchase warrants of the Company to the Directors and staffs of the Company for 6 million shares with 6 million units waiting at disposal for 0.50 Baht per share. The Meeting approved for the Company's stocks to be listed under the MAI stocks exchange.

June :The Company had bought a 3 Rai land with factory in the Rojana Industrial Park, T. Nongbua, A. Ban-khai, Rayong, with the area adjacent to the factory of the Company to be developed and convert into warehouse, drilling department and finishing products department.

2013

- May :The Company trades its stocks for the first day in the Stock Exchange of Thailand.
- September :The Company had form a contract to buy lands in the Rojana Industrial Park, T. Nongbua, A. Ban-khai, Rayong, with the size of 5.1585 Rai. The land has areas adjacent to the Company's factory which will be expanded. Some portion of the deposit had already been paid and the rest will be paid, together with the transfer at the beginning of 2014.

2014

- April :The Company has registered the transfer of ownership of the land from Rojana Industrial Park Public Co.,Ltd, with the Title Deed 41107, 41741, Parcel no. 342,355, Dealing File no. 3990,4057, T. Nhongbua, A. Bankhai, Rayong, total area approximately 3 Rai 1 Ngan 73.5 Square.Wah, for the purpose of building an Aluminium Die-Casting Factory.

2015

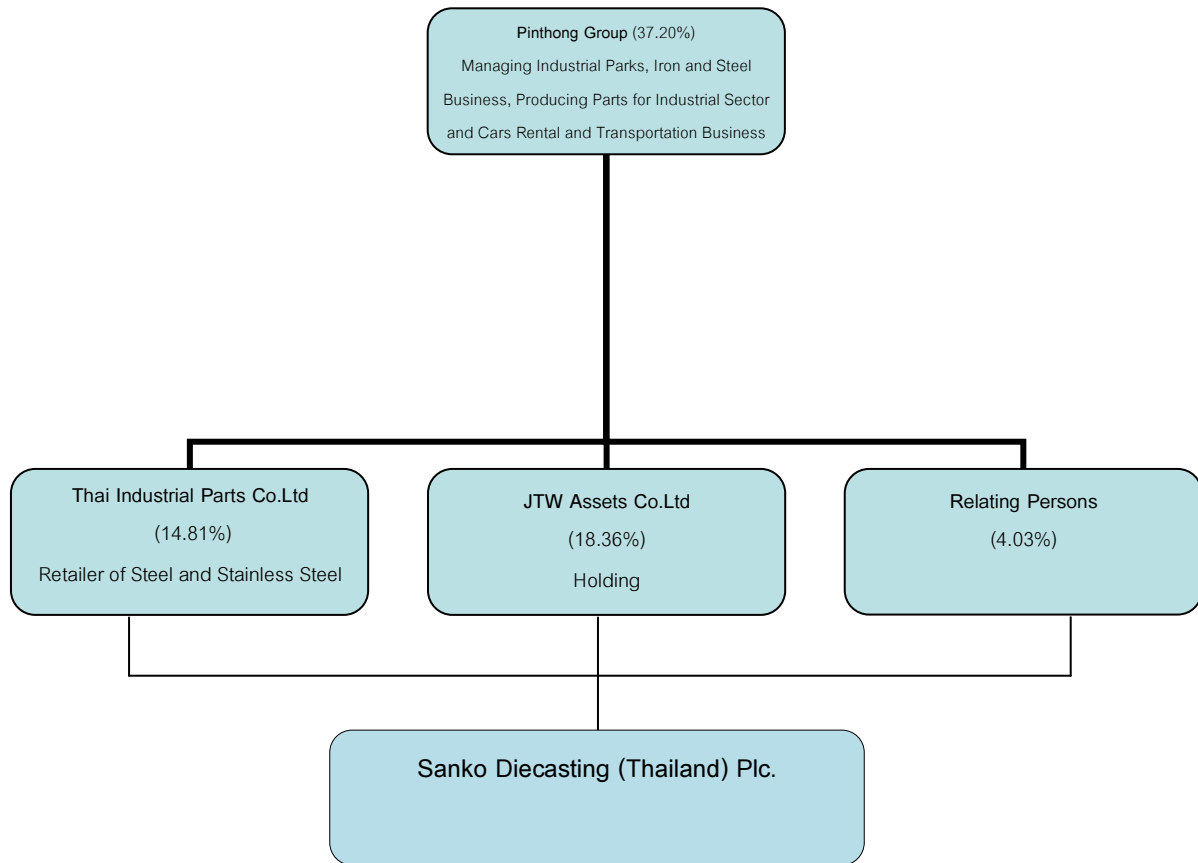
- July :The Extraordinary General Shareholder's Meeting (1<sup>st</sup>/2015) held on 9<sup>th</sup> July 2015 came to the resolution for allowing the increase in registered capital of 37,340,812.50 or 74,681,625 share, increasing the registered capital from 113,000,000 Baht to 150,340,812.50 Baht or the total 300,609,625 shares, at 0.50 Baht per share.The Department of Business Development, Ministry of Commerce, had already adjusted the change in the registered capital on the 16<sup>th</sup> July 2015.
- August :The Company had registered the change in the paid-up capital from the original amount of 111,138,579 Baht to the new amount of 148,184,772 at 0.50 Baht per share. The Department of Business Development, Ministry of Commerce, had already adjusted the change in the paid-up capital on the 17<sup>th</sup> August 2015.
- November :The Company had registered the change in the Employee Stock Ownership Plan (ESOP) from the original amount of 148,184,772 Baht to the new amount of 148,903,972 Baht at 0.50 Baht per share. The Department of Business Development, Ministry of Commerce, had already adjusted the change in the increase of share capital on the 24<sup>th</sup> November 2015.

**4.3 Company's Shareholding Structure**

The Company has no subsidiaries or associates companies.

#### 4.4 Relationship with the Business Groups of Major Shareholders

4.4.1 Diagram showing the structure of the overall companies of the major shareholders as of 31 December 2015



The Pinthong Group has a similar business to the Company, which is producing parts by extrusion with hot forging and stamping, for electronic goods and for automobiles industry. The group also operates in parts assembling and creating molds. In the future, the said group of companies may have a conflict of interest by competing indirectly with the Company. However, the companies in the Pinthong Group, do not have the policy to produce Aluminum and Zinc parts by extrusion and high pressure diecasting which is a direct competition to the Company.

#### 4.4.2 Relationship Status

The Company has listed the individuals which may have conflict of interest. The intercompany transaction that occurred, was the transaction between Directors and/or Executives and/or shareholders of the Company with relating companies which has persons with conflicts of interests as Directors and/or Executives and/or shareholders of the companies. The relationship can be summarized as follows;

Persons with Possible Conflict of Interests	Relationships
Juthawan Co.,Ltd	Shares the same Director with the Company who is Mr. Peera Pattamavorakunchai and is under the control of one major shareholder, the Pinthong Group <sup>1/</sup> , which holds the shares of the Company both directly and indirectly, for 37.20 % of all the registered and paid-in capitals.
Thai Industrial Parts Co.,Ltd	Shares the same Director with the Company who are Mr. Naohiro Hamada and and is under the control of one major shareholder, the Pinthong Group <sup>1/</sup> , which holds the shares of the Company both directly and indirectly, for 37.20 % of all the registered and paid-in capitals.
Rica JTW Heat Treatment Co.,Ltd	Under the control of one major shareholder, the Pinthong Group <sup>1/</sup> , which holds the shares of the Company both directly and indirectly, for 37.20% of all the registered and paid-in capitals.
TIP Metal Industries Co.,Ltd	Shares the same Director with the Company who is Mr. Naohiro Hamada and is under the control of one major shareholder, the Pinthong Group <sup>1/</sup> , which holds the shares of the Company both directly and indirectly, for 37.20% of all the registered and paid-in capitals.
Umphon Co.,Ltd	Under the control of one major shareholder, the Pinthong Group <sup>1/</sup> , which holds the shares of the Company both directly and indirectly, for 37.20% of all the registered and paid-in capitals.
Juthawan Metal Lab Co., Ltd.	Under the control of one major shareholder, the Pinthong Group <sup>1/</sup> , which holds the shares of the Company both directly and indirectly, for 37.20% of all the registered and paid-in capitals.
JTW Asset co.ltd	Under the control of the same majority shareholders which are the Pin Thong group. The group holds the shares, both directly and indirectly, of the Company amounting to 37.20% of the total paid-up and registered capital.

**Remarks:**

The Pinthong Group Manages Industrial Parks, Iron and Steel Business, Producing Parts for Industrial Sector and Cars Rental and Transportation Business.



## 5. Nature of Business

### 5.1 Overview of the Company's business

The Company manufactures aluminum parts and zinc parts by using extrusion technique, according to the customer's order. The main customers are automotive parts manufacturers which distribute to the automotive industry, consisting of automobile and motorcycle industry. The business of manufacturing the automotive parts have a strong advantage from a certain and consistent order because an order of any automotive models are usually continuous until the model is terminated which usually take about 3 years or more. Moreover, the company has been manufacturing CCTV components, Camera components and Intercom System components for the electrical industry, and has produced lawn mower parts and tractor parts for agricultural machinery industry. However, in the manufacturing of parts, the company has design and supply molds to perfectly meet customers' needs. Currently, the Company has no subsidiaries or any affiliates.

#### 5.1.1 Company's revenue structure

Company's revenue structure can be classified into major product lines from 2013 to 2015 as follows;

(unit: million)

Revenue	2013		2014		2015	
	Unit	%	Unit	%	Unit	%
<b>1. Revenue from sales of parts</b>	<b>335.62</b>	<b>81.66</b>	<b>328.18</b>	<b>90.04</b>	<b>385.49</b>	<b>89.60</b>
Car parts	211.95	51.57	210.20	57.67	280.01	65.08
Motorcycle parts	71.34	17.36	55.58	15.25	40.71	9.46
Electronic parts	33.63	8.18	38.39	10.53	46.61	10.83
agricultural machinery parts and others	18.70	4.55	24.01	6.59	18.16	4.22
<b>2. Revenue from sales of mold</b>						
Car parts	60.13	14.63	24.70	6.78	34.40	8.00
Motorcycle parts	22.69	5.52	13.43	3.68	9.30	2.16
Electronic parts	33.22	8.08	8.39	2.30	22.87	5.32
agricultural machinery parts and others	4.23	1.03	1.05	0.30	1.33	0.31
	-	-	1.83	0.50	0.90	0.21

Revenue	2013		2014		2015	
	Unit	%	Unit	%	Unit	%
Total Revenue from Sales	395.75	96.29	352.88	96.82	419.89	97.59
Revenue from services <sup>1/</sup>	7.69	1.87	4.01	1.10	3.92	0.91
Total revenue from sale and service	403.44	98.17	356.89	97.92	423.81	98.50
Other revenue <sup>2/</sup>	7.54	1.83	7.61	2.08	6.45	1.50
Total revenue	410.98	100.00	364.50	100.00	430.26	100

Note: <sup>1/</sup> revenues from service in 2013 ,2014and 2015 are from the agreement of being a technical assistance to a motorcycle parts manufacturing company in India, worth 24.60 million baht.

<sup>2/</sup> other income consists of income from sales of scraps and leftovers from production, profit from sales of assets, gain on reversal of allowance for doubtful accounts receivable, interest income and other income.

### 5.1.2 Products and Services








The company manufactures aluminum parts and zinc parts based on the customer's order. By the molding process with high pressure die casting (High-Pressure Die casting or "HPDC"). The company has design and hired a manufacturer of molds to produce molds for customers to be able to produce parts according to the customer needs. The ownership of the mold will be as specified in an agreement between the company and each customer, which can be classified by the agreement as follows

- 1) Designs and sales of molds The Company will sale produced molds to customers. Customers will own the ownership of molds. The customer will hire the company to carry out the production of molds.
- 2) Design the molds and produce the parts The customer will hire the company to design the molds along with manufacture such molds. The company still own the ownership of the molds, the company will have to charge a margin to offset the cost of the design and preparation of such molds.

The company's main revenue comes from the sale of aluminum parts and aluminum molds while the revenues from the sale of zinc parts and mold for zinc parts in 2014 and 2015 is equal to 10.83 percent and 16.48 percent of revenue came from sales and services, respectively. The company's products can be divided into categories based on the use of the product as follows;

5.1.2.1 Automobile Parts

Automobiles parts samples

Categories	Parts	Parts Details	Sample Parts Pictures
Alternator	Rear Cover	The component at the back of the alternator	 
	Front Cover	The component at the front of the alternator	 
Starter	Housing	Housing components of the starter	 
	Rear Cover	The components at the back of the starter	
	Gear Case	Gears components in the starter	 
Bracket Compressor	Bracket Compressor's base	Components to attach the engine and the compressor together	
	Lower Bracket	Components to attach the heat sink of the air condition with the body	
	Bracket Tension	Components for the compressor's bracket tension	


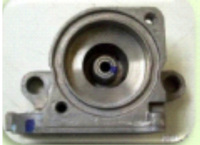




Categories	Parts	Parts Details	Sample Parts Pictures
Fan Clutch	Cover	The cover of the fan clutch for the engine's heat sink	
	Case	The back case of the fan clutch for the engine's heat sink	
	Disk	Components for the fan clutch to operate the cooling automatically	
Hanging Air Pipe	Flange Flex	Parts to support the attachment of air pipe in the car	
Safety Belt	Guide Drum	Parts to lock the safety belt in place	
Audio	Heat Sink	Heat sink for the car's audio system	
Heat Sink for Front Light	Main Heat Sink Bi-LED, front light	Heat Sink for Bi-LED	
Shaft Wiper Control System	Bracket B for left shaft wiper	Rotator for left shaft wiper	 
	Bracket C for right shaft wiper	Rotator for right shaft wiper	 
	Bracket A for single shaft wiper	Rotator for single shaft wiper	









The products in this category are parts and molds for the equipment and cars parts, consisting of alternator, starter, bracket compressor, fan clutch, hanging air pipe, safety belt and shaft wiper control sets. The main clients are the parts producing companies which assemble the parts into tools and equipment that will then be handed over to the cars manufacturing companies once more. The revenue from this product group is considered the major income of the Company with the income ratio in the year 2013, 2014 and 2015 of 234.64 million Baht , 223.63 million Baht and 289.31 million Baht respectively, or 58.16% 63.37% and 68.90 % of total revenue from sales and services in the same period respectively.

#### 5.1.2.2 Motorcycle Parts

##### Motorcycle parts samples

Categories	Parts	Parts Details	Sample Parts Pictures
Carburetor	Cover Reed Valve	Components for the cover reed and valve set	
	Bode Reed Valve	Components for the cover reed and valve set	
	Top	Components for the cover reed and valve set	 
Manual Clutch System	Centre Clutch	Clutch components	 

Categories	Parts	Parts Details	Sample Parts Pictures
	PR Plate	Components on the top clutch cover	
	PR Outer	Components for the side clutch cover	
	PR Lifter	Component to lockdown clutch system	
Automatic Gear	Primary Sliding Sheave	Components of automatic gear CVT for adjusting the sheave	
	Primary Fixed Sheave	Components of automatic gear CVT for driving the sheave	
PR Outer	Crank Case	Crank Case Lid	
Heat Cooling Water Pump System	Water Pump Cover	Lid for heat cooling Water Pump	






The products in this category are parts and molds for the equipment and motorcycle parts consisting of clutch system, carburetor and starter. The clients for this group of products are motorcycle parts manufacturing companies and motorcycle assembling companies. The Company's revenue from this category in 2013, 2014 and 2015 was equal to 104.56 million Baht ,63.97 million Baht and 63.58 million Baht

respectively, or 25.92% 18.12% and 15.14% of the total revenue from sales and services in the same period respectively.

5.1.2.3. Electronic Goods Parts

Electronic good parts samples

Categories	Parts	Parts Details	Sample Parts Pictures
Box CCTV Camera	Front Frame	Components for the cctv signal box's front frame	
Dome CCTV Camera	Chassis Cover	Parts for the dome CCTV camera	
Dome CCTV Camera	Bracket Case	Parts for the dome CCTV camera	
	Main Cover	Parts for the dome CCTV camera	
	Rear Cover	Parts for the dome CCTV camera	
Intercom System	Panel	Components for the intercom system	
	Panel Frame	Components for the intercom system	
Air-condition Compressor	Plate Lower Seal	plate cover for the piston of the compressor	
Water Pump Control Box	Aluminum Case	Control box for the automatic water pump	



The products in this category are parts and molds for the equipment and electronic goods parts such as CCTV camera, video recorder, Air-condition compressor's lid and intercom system. The main clients

for this category are the electronic goods parts producing and assembling companies. The Company's revenue from this group in 2013, 2014 and 2015 was equal to 37.86 million Baht, 39.44 million Baht and 47.94 million Baht respectively, or 9.38% ,11.17% and 11.42 % of the total revenue from sales and services in the same period respectively.

5.1.2.4 Agricultural Machinery Parts and Others

Agricultural machinery parts samples

Categories	Parts	Parts Details	Sample Parts Pictures
Tractor	Propeller Shaft Case	Components for hydraulic rod's cover of the tractor	
	Flange Fan	Parts for attaching the fan in the tractor	
	Bracket Filter	Components for tractor's petrol bracket filter	
	Bracket Cover (Support diff)	Components for tightening clutch set	
	Base Main Shift	Components for main shift's cover of the tractor	
	Rear Wheel Plug	Components for the rear wheel plug's cover	
Fuel Dispenser	Fuel dispenser hanger	parts for the fuel dispenser hanger	
	Joint for valve dispenser	parts for the fuel dispenser hanger	
	Dispenser pipe	parts for the fuel dispenser hanger	

The products in this category are agricultural machinery parts such as tractor's parts and parts for other industries for example hanger for fuel dispenser at petrol station. The clients for this category consist of companies that manufacture agricultural machineries and other industries. The Company's revenue from this



product group in 2013, 2014 and 2015 was equal to 18.70 million Baht, 25.84 million Baht and 19.06 million Baht respectively or 4.64% , a 7.32% and 4.54 % of the total revenue from sales and services in the same period respectively.

Additionally, in February 2012, the Company had made a contract to give technical supports to Exedy Clutch India Pvt. Ltd, a motorcycle parts producing company in India, worth of 24.60 million Baht. The Company will support in selecting and installing the aluminum and zinc extrusion machine, as well as give training in the process of production and quality control, with the requirement that the said company will not compete in aluminum and zinc extrusion parts for motorcycle industry in Thailand against the Company. The Company had agreed on the deal with ICC Consult co.ltd to help and support Exedy Clutch India Pvt.ltd, to follow the said agreement of technical supports.

During 2013 ,2014 and 2015, the Company had earned from this service under the agreement equal to 7.69 million Baht , 4.01 million Bath and 3.92 million Bath respectively or 1.94% , 1.13% and 0.92 % of the total revenue from sales and services in the same period respectively.

### 5.1.3 Benefits of the Promotional Certificates from Thailand Board of Investment

The Company's has many benefits from the Board of Investment as follows;

Promotion Certificate Owner	Sanko Diecasting PCL	Sanko Diecasting PCL
Certificate no.	1090(2)/2011	1010(2)/2014
1. Date of promotion	26 <sup>th</sup> January 2011	7 <sup>th</sup> January 2014
2. Date of enforcing the Promotion Certificate benefits	1 <sup>st</sup> April 2011	Not yet started
3. Type of business promoted	Producing steel products, including steel parts	Producing steel products, including steel parts
4. Key benefits received		
4.1 Import duties exemption on machineries	Imported before 26 <sup>th</sup> July 2013	Must be imported before 7 <sup>th</sup> July 2016
4.2 Corporate tax exemption on net profit of the business that is promoted	No more than 100% of the investment, excluding land and working capital for 8 years, and 50% corporate tax exemption for 5 years after the first cause.	No more than 100% of the investment, excluding land and working capital for 8 years, and 50% corporate tax exemption for 5 years after the first cause.

Promotion Certificate Owner	Sanko Diecasting PCL	Sanko Diecasting PCL
4.3 No need to calculate the dividend payment for corporate income tax in the business related to the promotion as per 4.2	8 years	8 years
4.4 Deduct the costs of transportation, electricity and water twice as much as the costs from the first day that the company receives revenue from business	10 years	10 years

## 5.2 The Market and Competition

The Company operates in manufacturing aluminum and zinc extrusion parts to customers in various industries with the majority in the automobile, electronic goods and agricultural machinery industries. The majority of goods sold are to the primary parts producers which operate in Thailand through the sales and marketing team of the Company with both Thai and foreign staffs that have over 30 years of experience. The responsibilities are divided into teams for both looking for new clients and for maintaining good relationships with the present clients. The teams contact the customers directly in order to learn all about the customers need and get involved in designing and adjusting the parts according to the demands of the clients if necessary, so that the production can be done efficiently and maintaining the same quality and function as indicated by the customers.

Additionally, there are other sales channels, for example;

- 1) The Company has advertised the Company's products through various media, for example, the yellow pages, business owner's directory, and all of the magazines and newsletter relating to the industries and to the parts that the Company can produce, such as automotive directory. The Company also publishes the website [www.sankothai.net](http://www.sankothai.net) which acts as a communication channel for the customers and to publicize the Company as well.
- 2) The Company has become the member of the Thai Autoparts Manufacturers Association (TAPMA), Thailand Automotive Institute and other associations that are related to the automotive industry in order to meet the target groups more.

### 5.2.1 Competitive Strategy

The Company's competitive strategy is to aim at satisfying the customers with the good quality of products and services in order to create a long lasting relationship which will result in the continuous business cooperation. The Company's competitive strategy can be summarized as follows;

#### 1. Maintaining the Products Quality

The products of the Company must be manufactured carefully, since they are parts that will be used in conjunction with other parts. To this, the Company gives all its attention to the quality of the products by having the quality control of international standards, ISO9001:2008 and ISO/TS 16949:2009, where the Company controls the quality of the production from selecting the best ingredient, and having a strict check up on all steps of the production process with accurate and efficient monitoring equipment. The Company also consistently trains the staffs to develop both their knowledge and improve the standard practice, making the Company won the trust of customers and receive constant orders.

#### 2. Products Delivery on Schedule

Since the Company produces parts that will be used in conjunction with other parts, the Company emphasizes greatly that the delivery must be accurate and just in time, so that there are no effects on the assembling process of the clients. The Company has the policy to deliver the products on time, which is controlled since the planning of the production, purchasing the ingredients, quality control of the ingredients, production process and delivering to the clients. Therefore, the Company can always deliver the products to the customers on schedule.

#### 3. Production Flexibility

The Company emphasizes on the flexibility of production by designing the production line so that it can adapt with many parts and models for fast and simple production. This means that the Company can produce various kinds of parts and support a variety of industries. At present, the Company owns, in total, 16 diecasting machines.

#### 4. Maintaining Good Relation with the Customers

The Company aims to build a strong relationship with the customers by having marketing and sales staffs looking after the customers and the products in order to ensure the services that meet with their satisfaction. In addition, the Company has a policy to survey the clients' satisfaction at least once a year, so that it can be used to improve the quality of the products and the services.

#### 5. Becoming a member of associations and organizations to increase the client base

At present, the Company has become a member of association and organizations that are related to the industry and parts producers whose are direct target group of the Company such as the Thai Autoparts Manufacturers Association (TAPMA) or the Thailand Automotive Institute. This allows the Company to gain information regarding the business in each industry and can expand the client base into such industries.

## 5.2.2 The Automotive and Automotive Parts Industries

### Automotive Parts and Automotive Industries

The trend of technological competition in the automotive industry has come to a change in response to the globe's awareness in saving the environment, saving the energy and reducing the greenhouse effect. This leads to smaller automobiles, requiring lower costs of production.

The automotive industry is very notable within Asian and between the ASEAN countries, because the production of cars is more than half of the World's production. The ASEAN countries who produce automobiles are Indonesia, Malaysia, Philippines, Thailand and Vietnam. The ASEAN countries can be categorized into 2 groups with various productions and different domestic markets as follows;

- The countries which are the bases of production.
- The countries which are not the bases of production.

The ASEAN countries' compound annual growth rate (CAGR) has been on the increasing trend since these countries do not have a complicated economic base. Therefore there is a high flexibility for adaptation and when couples with the fiscal and monetary policies to stimulate the economy, it can result in the recovery of the economy back to normal in short period of time. From the information in April of 2013, the International Monetary Fund (IMF) has adjusted the estimation of the world's economy to expand 3.3% while the economy in Asia expanding higher than 7% and for the ASEAN countries at 5.3%. Considering the economy during 2013 – 2017, the ASEAN economy has the average growth of 5.8% per year with the original ASEAN countries (Thailand, Malaysia, Indonesia, Philippines, Singapore and Brunei) expanding at 4-6% per year. As for the CLMV (Cambodia, Laos, Myanmar, Vietnam), the new ASEAN countries, has a rapid growth trend at 5-6% per year which is the result of joining the ASEAN Economic Communities (AEC) that is happening towards the end of 2015 by encouraging the expansion trade and investment of the regions. This will continue to grow and attract other countries who wish to join in on trades and businesses.

At present, the automotive industry in Thailand has created jobs for more than 100,000 workers and 2,289 manufacturers. Most of the said manufacturers cluster in the industrial zones in Bangkok and the nearby provinces, for example Samut Prakarn, which has the largest numbers of parts manufacturing factories follow by Rayong and other provinces such as Chacherngsao and Chonburi. These factories tend to be located near the automotive producing factories.

In general, there are 2 major markets for the automotive parts manufacturers, which are;

1. The Original Equipment Market (OEM) – The manufacturer must produce automobile parts to feed into new automobiles and motorcycle models for automotive companies that set up the production base in Thailand in order to assemble cars for both exports and for domestic

market. However, the demand for automotive parts in this group depends on the numbers of cars and motorcycles produced.

2. The Replacement Equipment Market (REM) – This is the market for spares which replace the actual parts when they are damaged or broken from usage since each part have different life spans. The manufacturers that produce these items for the replacement equipment market are large, medium and small manufacturers, resulting in the produced parts being very different in qualities, for example, real spare parts, copied (fake) spare parts and also artificial parts. These are sold to the maintenance service stations of each automotive brand. Usually, the service station does not keep a large stock of spare parts supply, but will only keep the parts which are required often when repairing the automobiles.

**Structure of the Supply Chain for the Thai Parts and Automotive Industries**

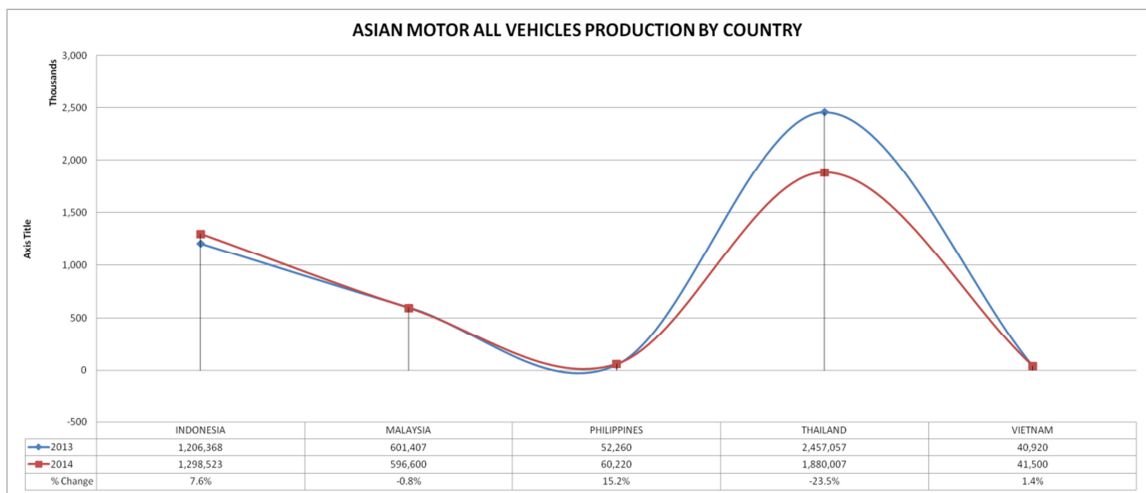


Source: Thailand Auto Parts & Accessories (TAPA 2010) ASEAN Auto Parts Sourcing Hub, a Frost & Sullivan Whitepaper

The structural overview of the automotive industry can be divided into automobiles assembler and parts producers. The automobile assemblers will hire the no.1 parts assembler in order to produce the parts for cars and motorcycles used for assembling. The no.1 parts assembler will produce some of the parts themselves and, in turn, hire the no.2 parts producers to manufacture the smaller parts or sourcing for the production ingredients. The automotive industry in Thailand consists of 23 automobiles and motorcycles assemblers, 648 first-tier parts producers and 1,641 second and third tier parts producers and many companies that produce parts by using the high-pressure diecasting (HPDP) methods who are also small to medium companies within the said group of producers. However, the Company is considered having an advantage in the competition since the Company possesses many experts and skilled personnel in designing molds which are very rare in Thailand.

In 2015, the total production (January – November) in the ASEAN region has declined 1.9% not reaching 4 million cars which were estimated previously that ASEAN will have a total production of more than 4 million cars. Of this volume, Thailand produced 1.8 million cars which were about 48% of the total production in the ASEAN countries with the second being Indonesia with 1.0 million cars produced and thirdly Malaysia with about 600,000 cars. The main factor that held back the overall production of the region was from the Thai automotive industry in the past year which was rather inactive due to the low economic situation at the time.

Automobiles Production of the ASEAN Countries between 2014 and 2015



Source: ASEAN AUTOMOTIVE FEDERATION

In 2015, the total production of cars was at 1,913,002 cars which was lower than the targeted goal at 1,950,000 cars or 1.9% lower. This is split into domestic sales of 799,592 cars from the targeted goal of 750,000 – 800,000 cars. The consumers decide to buy cars in advance due to the fact that some models will have their price adjusted higher as the result of the Automobile Excise Tax price structure adjustment, especially the PPV or modified pick-up trucks which has the increase in sales of 251%, including the large orders in the Motor Expo in December 2015 of more than 39,000 cars making the domestic sales of cars in December of 101,424 cars, which was the first time in 24 months that the sales of cars was higher than 100,000 cars although still not enough to reach the total targeted goal.

Due to the slowing down of domestic economy, coupling with high household debts and consumers' purchasing power being affected by the prior First Car policy, although initially it was estimated that the effect will only last for 1-2 years, but it has already been 3 years and the said effect still lingers. However, exports have been expanding at 1,204,895 cars amounting to over 592,550 million Baht, from the original goal at 1,200,000 cars. The increase is due to the markets in the Oceania, Europe and North America where the personal vehicles and pickup trucks are the main exports.

As for 2016, the Federation of Thai Industries (FTI) has estimated the total sales of 2 million cars. This is divided into 750,000 – 780,000 cars for domestic sales and a little more for exports at 1,220,000 – 1,250,000 cars according to the growth of the world's economy where at 2.9% will affect the exports.

As for the Car Excise Tax structural adjustment, which came into effect on the 1<sup>st</sup> of January 2016 by considering the emission of Carbon dioxide as the main factor, most cars must increase the price at least 5-10% and is estimated to affect some of the automobile structures. The Consumers now have the tendency to buy vehicles more suitable to their needs with small personal vehicle such as Eco car having more market shares, including multipurpose vehicles in the MPV B-SUV and SUV groups for a variety of usage instead of using the PPV which will result in a large adjustment in price, leaving only consumers who truly need or prefer the high endurance of the said vehicle. Moreover, brands have the opportunity to adapt their personal vehicles to utilize alternative fuel such as the E85, in order to reduce excise tax as much as 5%. As for the issue about adjusting the excise tax affecting the price of all vehicles since the start of 2016, although at the beginning of the year, consumers had the chance to slow down the purchasing of cars in order to wait for the clearer price signals and all the benefits that comes with it, but as a whole, it is estimated that this issue may not affect the total sales of car this year, but will instead affect the production of some models for domestic sales. If we considered the sales according to the type of cars, the Eco cars may have its sales increase this year while the PPV which had the tax adjusted and affecting the price will likely shrink in the coming year. This is because some of the consumers have already gone ahead and bought the cars in this group towards the end of 2015 when the Excise Tax had not been increased. The sales which had been increasing and decreasing could be interpreted that the increase in the excise tax may not be the main factor affecting the change in price directly as much as the purchasing power of the consumers which is still relatively low and that the car loans are also very strict.

Car excise tax structural adjustment enforced on 1<sup>st</sup> January 2016

ประเภทรถยนต์	โครงสร้างภาษีปัจจุบัน				โครงสร้างภาษีมูลงบังคับใช้ 1 ม.ค. 2559			
	ขนาดเครื่องยนต์	อัตราภาษี (ร้อยละ)			CO <sub>2</sub> (g/km)	อัตราภาษี (ร้อยละ)		
		E10	E20	E85		E10/E20	E85/NGV	Hybrid
รถยนต์นั่ง, รถยนต์โดยสารที่มีที่นั่งไม่เกิน 10 คน	<2,000 cc	30	25	22	<100	30	25	10
	2,001-2,500 cc	35	30	27	101-150	30	25	20
	2,501-3,000 cc	40	35	32	151-200	35	30	25
	>200	40	35	30	>200	40	35	30
	>3,000 cc	50	50	50	>3,000 cc	50	50	50
PPV/DC/Space Cab/Pick Up, ขึ้นๆ	≤3,250 cc	20/12/3/3,18			≤200	25/12/5/3,18		
	>3,250 cc	50			>200	30/15/7/5,18		
Eco Car (Benzine/Diesel)	1,300/1,400	17			≤100	14/14		
		17			101-120	17/17		
		17			≤100+E85	12/12		
Electric Vehicle/Fuel Cell/ Hybrid	≤3,000 cc	10			≤3,000 cc	อยู่ในโครงสร้างรถยนต์นั่ง		
	≤3,000 cc	10			>3,000 cc	50		
	>3,000 cc	50			>3,000 cc	50		
NGV	≤3,000 cc	20			≤3,000 cc	อยู่ในโครงสร้างรถยนต์นั่ง		
	>3,000 cc	50			>3,000 cc	50		

Source: The Excise Department, collected by Kasikorn Research Center

### Electrical Parts and the Electronic Industries

The electrical goods and electronics industry had declined 3.56% in 2015. This is due to the reduction in the electronics industry of 2.98% such as HDD, IC and semi-conductor since the demands of computers and laptops in the world market has declined, together with the slowing down of the world's economy, leading to fewer demands for electronic goods. At the same time, the electrical goods industry had shrunk 4.13% with the 3 main declining products being televisions, kettle and microwave, due to the reduction in domestic purchasing power which reduced the demand for electrical goods. As for televisions, some of the manufacturers have relocated the production base to other ASEAN countries.

In 2016, it is estimated that the electrical goods and electronics will have a 0.81% increase in production and will recover in the 3<sup>rd</sup> quarter of 2016 with a 6.55% increase. This will be from multiple items, especially electronics goods such as IC which is an important part in equipment or electronic goods. The trend for exports in 2016 seems to be positive at +1-2% or around 5.4 billion USD, due to the recovery of the world's economy especially the recovery of the Chinese market, ASEAN market and the US market which will result in the electrical goods and electronics industry improving consequently. There is also a positive signal for growth in the sales for air conditions and fridges in the next year.

### Agricultural Machinery Parts Industries

The market size for agricultural tractors in Thailand is roughly 70,000 vehicles per year with 60,000 vehicles being manufactured domestically, 16,917 vehicles are imported and 7,891 tractors are exported. Nowadays, there are only 2 major manufacturers in Thailand, while the rest are companies that import parts to assemble in the country. The domestic manufacturers own about 70% of the market share for the total of sales and the rest is for the importers (including the imports of new and second-hand cars) and if judging from the structure of the market divide by regions, we can see that, the North-Eastern region is the largest market with the market share of about 60% of the total numbers of tractors sold (*Source: The Office of Industrial Economics*).

Since the neighboring countries of Thailand are developing countries, there is a need for large amount of machineries and for all types such as the agricultural machineries to which most economic activities are from the agricultural sector, for example, the Republic of the Union of Myanmar. The trend for expansions in the agricultural machineries is proceeding according to the economic structure of Myanmar where the agricultural sector holds a major role with as high as 44% of the GDP and the Government also supports the development of the agricultural sector, so that Myanmar will be capable in terms of production and can exports in the world market, especially rice, which is considered an important agricultural for Myanmar. The targeted goals for exports in 2013 was at 2 million ton which is the opportunity for Thailand to export agricultural machineries to Myanmar such as walk-behind tractors, pesticides sprayer tractor, water



pump and small milling machine. This category of Thai products is considered much more favorable when compared to the Chinese model in terms of quality and longer life expectancy, including being able to easily disassemble and re-assemble for maintenance, although the disadvantage is still the price difference with the Chinese model being cheaper. At the same time, the demand of machineries in the industrial sector has been increasing from the investment expansion of the ASEAN countries and also the non ASEAN members that wish to invest in ASEAN. In 2015, the exports of agricultural machineries was amounting to 27,576 million Baht with the harvester and its components being the products with the highest exporting value at 1,054 million Baht.

### 5.2.3 Economic Trend in 2015

From the data of the Office of Industrial Economics (OIE), the Ministry of Industry, it is estimated that the industrial economic trends in 2016 will have the following supporting factors; the driving force from the government's stimulus package, the slow recovery of the world's economy and the price of exports. The International Monetary Funds (IMF) had foreseen that the world's economy in 2016 will expand 3.6% from the year 2015 which was estimated to expand 3.1%, including the depreciation of the Thai Baht and that the oil prices was still at the low level while the risks factor from 2016 starts with the slowing down of the Chinese economy. The IMF has estimated that the Chinese economy, in 2016, will expand at 6.3% from 2015 where it was estimated to expand 6.8% including the effect from the drought, the capital outflows into emerging market after the Federal Reserve System (FED) gradually raised the interest rates. The FED had announced to increase the base interest rates for the first time in 9 years during the mid of December 2015 and sent the signal of a gradual increase in the future.

As for the automobile industry, the total production will be at 2,150,000 vehicles, a 10.26% increase, divided into domestic sales approximately 900,000 vehicles or a 6.67% increase and for exports, approximately 1,250,000 vehicles or a 4.17% increase. It is estimated that the production of electrical goods and electronics industry will expand 0.81%.

## 5.3 Purchasing Process and Services

### 5.3.1 Factory and Office

The factory and the office of the Company are located in the Rojana Industrial Park, T. Nong-Bua, A. Ban-Khai, Rayong. As of 2015, there are 14 acres and 149.6 meters of land with 8 buildings consist of 2 office buildings, 1 storey and 3 storey, including 6 factory building and warehouse

### 5.3.2 Production Capacity

From 2013 to 2015, the production capacity of the Company is as follows;

(Unit: ton)

	2013	2014	2015
Production Capacity*	2,700	2,500	2,600
Production Output	1,619	1,265	1,460
Output to Capacity Ratio (%)	60	51	56

Remarks: \* The production capacity of the Company is calculated by estimating the quantity of ingredient used in production and times by the numbers of machines in the given time.

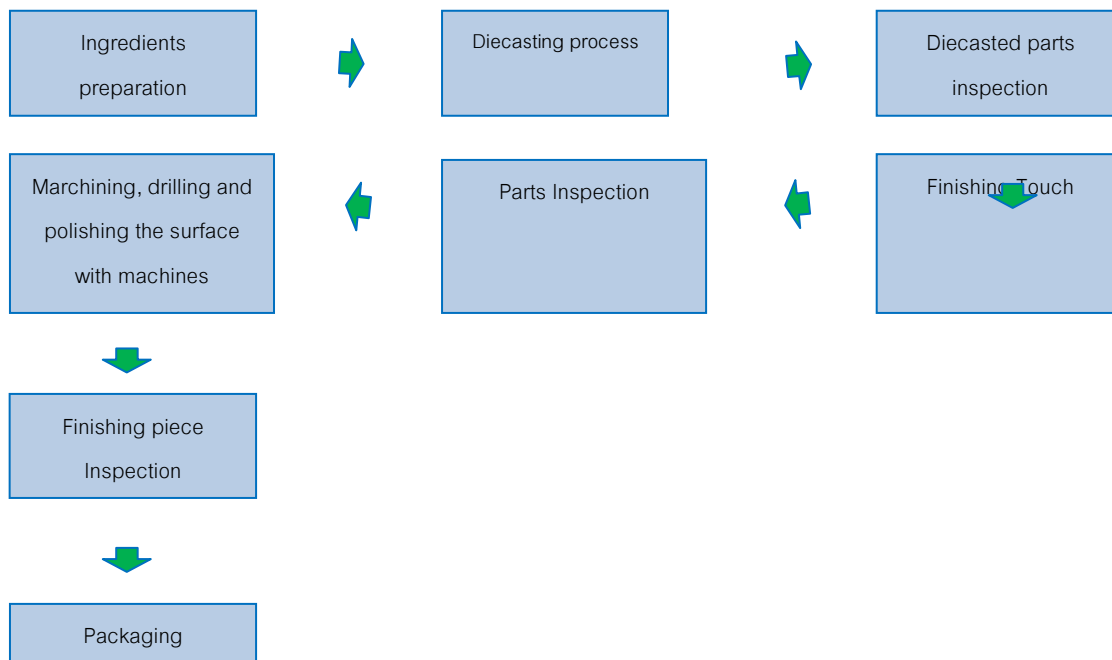
In 2013, the investment was made on more machinery in order to increase production capacity. However, the production in 2013 had declined from the year 2012 due to the recovery from the economic recession caused by the Great Flood during 2011. As for 2014, the production had decreases since some old and broken machinery had been sold off and the persistent economic crisis since 2014 had affected the purchasing orders.

### 5.3.3 Production Process

The Company produces Aluminum and Zinc parts as ordered by the customers. The Company will then receive a drawing or product samples and estimate the production quantity in order to work out the capability in designing the molds and the possibility of producing the parts as ordered. After that, the Company will analyze the costs in designing the molds, costs of making the molds and costs of production, and then the quotation of the parts and/or the molds will be offered to the customers for consideration, depending on the nature of the employment. As soon as the customers approve of the quotation, the Company will take the plans or product samples to design the molds by using computer programs to calculate and display the molds in 3D, and send it off to the molds producing companies to quote the price back to the Company. Once the molds producing companies have been chosen, the molds will take 3 months to produce. When the molds have been completed, the Company, together with the customers, will inspect the molds together by extruding with the molds made, and test the produced sample parts with Co-ordinate Measuring Machine (CMM). After the tests, the parts will be brought to the customers for quality check and further test it by assembling with other parts.

When the aforementioned sample parts have passed the evaluation of the customers, the sales and marketing team will contact the clients to ask for the purchasing orders and delivery plan. Usually the clients will order and determine the delivery time 1 month in advance and will plan for production 1 year in advance so that the Company can appropriately prepare the production plan, gather ingredients and prepare all the equipment properly to meet with customers' demands.

The production process of the Company is as follows;



- **Material Selection and Preparation**

The Company will select the ingredient retailer with the standard that satisfies the customers. Once the material is received, the Company will double check the quality with the material guaranteed certificate from the retailer to make sure that it is suitable for producing the parts. Then the purchasing orders from the customers will be calculated to find out the amounts of material needed and plan for further production.

- **Products Die Casting Process**

The staff on the diecasting machine will install the mold and prepare the machine so that it is ready to use. The ingredient will be put in the furnace with natural gas as fuel for heating and smelt the ingredient into liquid at designated temperature. The injection machine will then inject liquid metal into the mold with high pressure. The temperature will be lowered in order to cool and harden the piece. When the piece is cooled off, the staff will take the piece out of the mold and perform primary fine touches by cutting the edges and the metal lines from the injection out, then put the scraps back into the furnace to be reused again.

- **Diecasted Parts Inspection**

The QC staff will perform a random inspection on the parts to check for sizes and the outer appearances of the parts to be in accordance with the drawings. Important points on parts are checked for with various inspection tools. The random QC inspection is done every 1-2 hours.

- **Finishing Touches**

The pieces that passed the inspection will be fine touched by the staffs. This includes polishing the surface, trimming the edges, drilling and finishing touches on the surface of the parts following the instruction

on how to handle each piece. However, the Company may hire a sub-contractor to outsource the finish touches of the parts if the man power of the Company alone is not enough, or if the tools of the Company or the nature of the parts are not appropriate to perform the task.

- **Parts Inspection**

In this process, the QC staff will perform a random check under the check-list of the requirements for both the shape of the parts and the surface area as indicated. A manual will be produced to indicate the location to check and how to check the parts as specified. The random inspection is every 1-2 hours and will be an inspection once again for all finished parts.

- **Machining, Drilling and Polishing the Surface with Machines**

Since some of the parts must be finished with machined to guarantee accuracy and the standards that the customers required, the Company will bring the inspected parts to fine touch, drill and polish the surface with mechanical lathe controlled by Computer Numerical Control (CNC) both in the 2 shafts and 3 shafts in the designated area, according to the products drawings to ensure that it can be used in conjunction with other parts. The QC staff will perform a random check-up in front of the machines every hour and also tests the parts using the jig gauge in order to examine the size and location of the joints, whether or not they are as required.

However, the Company may hire a sub-contractor to outsource the finish touches of the parts if the man power of the Company alone is not enough, or if the tools of the Company or the nature of the parts are not appropriate to perform the task.

- **Finishing Products Inspection**

The piece that had passed the finishing touches with machines will have a detailed random inspection with the CMM and other tools before handing off to the packaging department.

- **Packaging**

The warehouse staff will count the number of parts to be the same with the tag and proceed with the packaging as specified and ready to deliver the products to the customers.

The Company has the procedure to investigate the costs and set the policy to evaluate the items that made a loss to the Company, in which the accounting department will perform an analysis quarterly, follow up on all products that made a loss and report the findings to the CEO every month.

#### **5.3.4 Acquiring the Ingredients for Production**

The Company is the producer of Aluminum and Zinc diecasting parts as ordered by the customers. Aluminum and Zinc that the Company uses are Aluminum alloy and Zinc alloy. Aluminum and Zinc have the mixtures of other elements making it unique and has the suitability for various types of work. Therefore, the ratio of ordering the ingredient will depend on the volume of the orders. In the past, the majority of work that the Company has done have been Aluminum parts where the Company orders from 7 domestic retailers.

Since the Company has the policy of spread ordering to reduce the risk of relying heavily on any particular retailer, the orders of ingredient will spread over many retailers with the different volume ordered, depending on the price of each retailer. The Company receives a monthly quotation by the retailers for the change in price of the ingredient.

For the ingredient selection process, the Company pays great attention to the quality of the ingredient. The ingredient ordered must be at the exact level of standard indicated, which the company will proceed to check for the quality with the guarantee certificate of the retailer that comes together every time upon ordering the ingredient. After that, the Company will take a portion of the ingredient to test and see whether or not it is in accordance with the certificate. The whole ordering process takes about 1-2 days.

To select an ingredient retailer, the Company will evaluate whether or not the retailers had passed the requirements of the Company and then collect the lists of those who passed in the ingredient retailer lists. Every time there is a purchase, the Company will compare the price with at least 2 other retailers from the lists to ensure that the ingredients bought are of the best quality and at the best price. The list of ingredient retailers will be revised annually.

#### **5.3.5 Environmental Impact**

The Company is fully aware of the impact to the environment and has devised series of policies to prevent the pollution problems to ensure that the Company's operation does not affect the environment. In addition, the Company has set aside a budget to look after the environment sufficiently by constructing a wastewater treatment facility inside the factory and hiring an external company to manage and treat the Company's waste products, for example, used oil, contaminated containers and sludge from wastewater treatment.

The Company also has received the Certificate in Environmental Management ISO 14001:2004 on 15<sup>th</sup> July 2008, has the honor of receiving the certificate for the company with Environmental Good Governance under the Ministry of Industry, and the Certificate of Green Industry level 3 for systemic management of the environment with evaluation and revision procedures for sustainable growth and lastly the CSR DIW award from the Ministry of Industry in September 2013, which is the equivalent to ISO 26000, the development of industrial factory in the socially responsible way.

#### **5.4 Unfinished Projects**

The molds for producing parts to be sold to the customers with the pre-paid value of 9,060,600 Baht, is due to the agreement of installed payment with the final installment is the approval of the production.

## 6. Risk Factors

This is the risk factors in the company's business which may significantly affect the operation and the performance of the company. The guidelines for risks prevention can be summarized as follow;

### 6.1 Risks from the dependency to the major customers

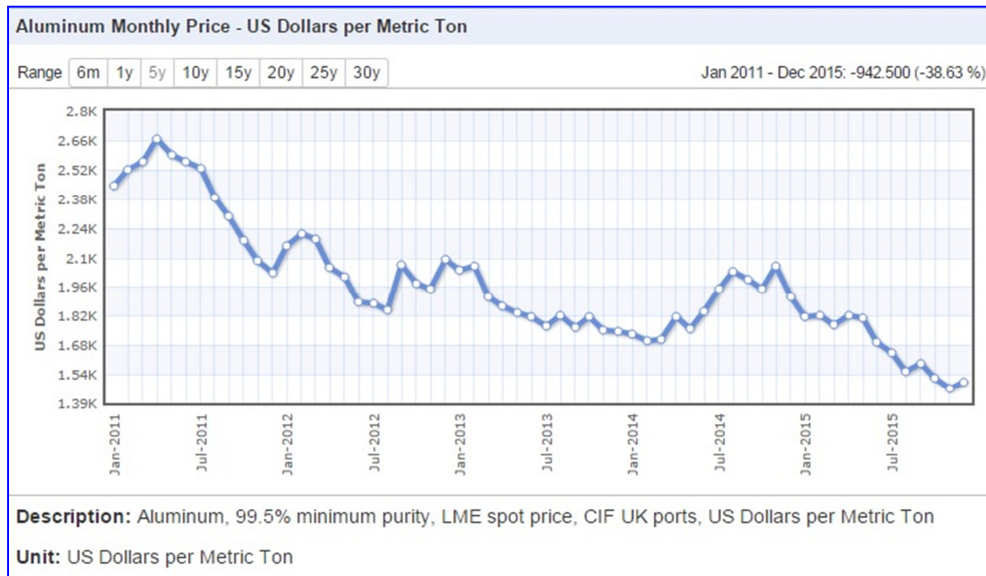
The company business revolves around making products by order of the customers where in 2015, the company had 3 major customers to whom the sales value consists of more than 10% each company, totaling to 50.19 % of all the sales and services. In the past, the company's income from the top 10 major customers in 2013, 2014, and 2015 were 72.04%, 82.94%, and 85.22% respectively. This means that the revenue of the company will be affected if those major customers have a change in their purchasing policies.

However, these major customers have had a long history of purchasing from the company and the company itself has had regular contacts with the customers in order to foresee any possible changes in sales pattern. Most of the customers will have an estimation for the company at least 1 month in advance, meaning that the company can predict the changes in the productions ordered to a certain extent. Also, the company has the policy to control the sales made to each of the clients to be no more than 30% of the total sales volume. This is to prevent any effect to the company's revenue should the major clients were to change.

### 6.2 Risks from the fluctuation in the costs of raw materials

The company produces parts which are used as components in building automobiles, motorcycles, electronic goods, agricultural machineries and many others, which uses aluminum bar as the main ingredient, costing 33.27% of all sales and services in 2015. The price of aluminum has fluctuated greatly since 2011 as can be seen from an decrease in the world market price from 2,440 USD per ton in the beginning of January 2011 to 1,553 USD per ton in July 2015, or a 36.35% decrease in price during that time. The change in the price of raw materials is the result of the world's economy fluctuation, the concerns over public debts in the Euro zone and the consumers of the main market, such as the USA, the European Union and Japan, who face the economic slowdown, are all the factors causing the price of Aluminum to decrease. In December 2015, the price of Aluminum in the world market was 1,504 USD per ton. From the past 5 years, it is possible that the price of Aluminum will continue to fall.

### Price of Aluminum between January 2011 – December 2015



Source: Monthly world prices of commodities and indice, World Banks

Since the process of producing Aluminum requires large amount of energy, therefore the change in price of crude oil will also affect the price of Aluminum. In 2011, other the price of crude oil, the uncertainty in the world's economic situation and the concerns of the public debts in the Euro zone, had been the factors causing the reduction in the price of Aluminum in the second half of the year and even in 2012, the price of Aluminum was constantly fluctuating. This is because the main consumers market such as the USA, the European Union and Japan have faced the economic downturn and also the public debts from the Euro zone countries, including the rise in energy prices had caused some of the major producers to cut down on production, due to the increase in the costs of energy but the price of Aluminum still continued to fall. Finally in 2013, the price of Aluminum continuously declined since the economy in Europe and the USA have not returned to normal, before reaching a slight increase during the year 2014.

Although the falling in the price of Aluminum have affected the Company positively in terms of the costs of production, by adjusting the price of some products according to the costs of the materials for some customers as the price of raw materials increase to the agreed level, or revise the final price periodically. However, the Company may face certain risks in the case that the price cannot be adjusted according to all of the materials' price changes, for example, the price of raw materials do not reach the agreed level, or the costs of production increases while the time for the price revision have not yet arrived. In response to this, the Company closely tracks all the price movements of Aluminum in the market, in order to prevent the said issue.

As for the purchasing of the Aluminum, which is the main ingredient in the production, the Company had scheduled the orders in advance according to the production plan of the Company. Additionally, the Company had selected the most suitable Aluminum providers with the quality and requirements for production for the total of 16 companies to lessen the risk of materials insufficiency.

### 6.3 Risks from the deterioration of the client's mold

The company uses its own molds to produce parts but there are also molds that belong to the customers. Therefore, the company must seek the permission from the customers first before fixing or requesting new molds. The problem arises when the molds deteriorate which will reflect in the quality of the products, but since the company must maintain a steady relationship with the customers, it becomes the cost of the company to fix the imperfect or the unqualified parts. If the company takes a long time in repairing or preparing the new molds, even though it is dependent on the customers whether or not they can provide the company with the molds, it will reflect in the operation of the company. However, the company has regulated a life-time use of the molds and will contact the customers before the molds begin to deteriorate, so that the customers may know the status and can estimate the time frame in providing the company with the new molds.

### 6.4 Risks from being dependent on the Directors, experienced and skilled individuals

The business requires experienced and skilled personnel in order to operate, especially for designing the molds. This has a direct impact to the possibility of the production, quality of the products and the number of defects as the result. The company requires specialized engineers with experiences in designing molds to do this job and by losing these people, it will affect the operation of the company and the ability to compete. As of 31 December 2015, there are 10 personnel in the company with extensive molds designing skills who have worked for the company, on average, for 6 years and have the experience of working with molds, on average, for more than 15 years.

The company clearly distributes tasks and responsibilities to each Directors and members of staff with a suitable data storing system and has the ability to exchange information and news relating to the directors and staff members constantly. Moreover, there are staff trainings, aimed to establish an understanding in quality and standards in many areas, together with sending the staffs to join the external seminar as a form of human resource investment so that they have a better understanding of the company's operation as a whole and especially to increase the knowledge and skills in molds design. To this, the company provides trainings both internally and externally to reduce the risks of being too dependent on the directors and the main personnel of the company.

### 6.5 Risks from quality control

The quality of the product is a vital factor in the automobile industry where the cars and motorcycle producers pay a lot of attention to, since it has a direct effect both to the reputation and to the sales of the producers. Low quality products means that the company may lose clients, and could result in the cancellation of the contract in the case that the company cannot produce the products to the standard of the



clients which will have a negative effect on the operation and the customers in this industry will lose confidence in the company. Therefore, the company aims to reduce the low quality of the production by setting clear defectives KPI. The company values the importance of quality so much that it has invested in the equipment to examine and control the output quality to match the standards that the customers require. Including the ability to build credibility in the business under the international standards as well.

### **6.6 Risks from Free Trade Area (FTA) and the change in the government's policy**

Since the company involves producing and selling automobile parts, the company may be affected both positively and negatively from the change in custom tax and trade barriers, such that the change in import tax on automobile parts will affect the ability to compete of international competitors. An example of this is the reduction in tax on import parts may encourage the competitors to compete more with the company on pricing and costs. However, at present, the government had agreed with other ASEAN countries under the treaty ASEAN Free Trade Area (AFTA) for the automobile industry with the Common Effective Preferential Tariff (CEPT) where the free trade under AFTA for the automobile parts made within ASEAN will have the custom tax reduced to between 0-5 percent. This will encourage the ASEAN countries to trade more between themselves. Moreover, the introduction of the ASEAN Economic Community (AEC) in 2015 will further reduce the tax between the ASEAN countries to be at zero. Although this helps the company in exporting the parts to other countries in ASEAN, it also means that competitors from neighboring countries can compete more in Thailand.

The uncertainty of the political situation in Thailand, which affects the government stability, and the Great Flood during the present may affect the decision to invest or relocate to the countries with more stability or lower costs of production. Even now, the government has many policies which support the industrial sector such as the reduction in tax for eco-car that uses NGV gas with fuel and hybrid cars that uses gasohol e-85. If the government changes and the said policy is affected, it will have a direct impact on the automobile industry which is the main customers of the company.

However, the company has emphasized on developing the products and the skills of the workers, for example, having the staff participating in various seminars. The company also establishes a Knowledge Centre in order to provide sources of information on industrial and production technology. The staffs here can continuously develop their skills to be able to better compete with the others and to support a new variety of production from many industrial groups.

### **6.7 Risks from the shortages of labour**

At present, many work establishments have strong competition for skilled labors which imposes the risks of the Company facing shortages of labor or having to hire workers at a higher wage rate. In addition, the 300 Baht minimum wage policy will result in the increase in wage rate on average or even losing the current

skilled workers which will directly affect the Company's operation. However, the Company emphasizes greatly on the wellbeing of the staffs and provides a variety of benefits for example, the canteen, lunch fees, transportation fees and staffs shuttle buses, in order to prevent the relocation of the workers, especially skilled labors which is considered the backbone of the Company. Other than that, the Company also hires other establishments for jobs that require physical works such as finishing the work piece, so that there is flexibility in the production line and can lessen the effect on labor competition.

#### 6.8 Risks from the closely related business run by the major share-holders of the company.

The Pinthong Group, which is the major share holder of the company with 37.20 % paid - in capital as of 31 December 2015, contains the following automobile parts producing which is the same as the company as follows;

Name	Type of Business
Futaba JTW (Thailand) Co.,Ltd	Produce parts and components for steel molds
Excel Metal Forging Co.,Ltd	Produce parts for automobiles, machineries and various power tools by press stamping
Jutha Wan Molitec (Thailand) Co.,Ltd	Produce and sell reel able cord and springs parts for vacuum
Thai Industrial Parts Co.,Ltd	Produce parts for automobiles and electronical goods with hot press and cold press
Jutha Wan Metal Lab Co.,Ltd	All kinds of steel hardening
S.K.J Metal Industry Co.,Ltd	Produce shafts and stainless wires
Architect Metal Work Co.,Ltd	Design and produce stainless steel products

Since the companies in the Pinthong Group uses different kind of production techniques and materials, the final products and the quality will be very different. The parts produced will be suitable for a very different kind of industry. This means that there is no risk in competing with these companies. Instead, it will be a chance for the company to meet and get in contact with the existing clients from the Pinthong Group and has the chance to reach out to those who may be interested in the company's products and increase the business opportunities.

## 7. Company Profile and General Information

### 7.1 General information

Name of Company (Thai)	:	บริษัท ซังโกะ ไดคาสติ้ง (ประเทศไทย) จำกัด (มหาชน)
Name of Company (English)	:	Sanko Diecasting (Thailand) Public Company Limited
Company Registration	:	0107552000235
Type of Business	:	Produce die casting parts from aluminum and zinc
Head Office Address	:	3/14 M.2 Rojana Industrial Park, T. Nong-Bua, A. Ban-Khai, Rayong 21120
Telephone Number	:	038-961-877-80
Fax Number	:	038-961-624
Website	:	www.sankothai.net
Registered Capital	:	150,340,812.50 Baht
Paid-in Capital	:	148,903,972.00 Baht
Par Value	:	0.50 Baht
Security Registrar	:	Thailand Securities Depository Co., Ltd. 62 The Stock Exchange of Thailand Building, Rachadapisek Rd, Klongtoey, Bangkok 10110, Thailand Telephone 02-229-2800 Fax 02-359-1259
Auditor	:	PV Audit Co., Ltd. 100/19 Fl.14, Vongvanij Complex Building B, Rama 9 Rd. Hwaykwang, Bangkok 10320
Legal Advisor	:	AK & A Legal Consultant Limited. 80/2 Trok Sathien, Tanao Rd, Kwaeng Sarnchaophorsua, Phranakhorn, Bangkok 10220, Thailand

## 8. Assets and Shareholders Information

### 8.1 Amount of registered capital and paid-in capital

#### 1) Common Stock

The company has registered capital equal to 150,340,812.50 Baht (one hundred fifty million three hundred forty thousand eight hundred twelve Baht and Fifty Satang.) which is divided into 300,681,625 common stocks (Thirty million sixty – eight thousand one hundred sixty-second ) with 0.50 baht per stock. At present, the value of the paid-in capital is equal to 148,903,972 Baht (One hundred forty eight million nine hundred three thousand nine hundred seventy two Baht)

#### 2) Stock-purchase Warrant

At the first special shareholders meeting 1/2012 held during 30<sup>th</sup> May 2012, the board has agreed to issue a named and non-transferrable stock-purchase warrant to the board of directors and staff members of the company (stock-purchase warrant) for a total amount of 6,000,000 units which will be distributed and sold as common stock to the public with the offer at 0 Baht per unit. The warrant has a 5 years expiration date starting from the first day of the offer where 1 unit of the stock-purchase warrant can buy up to 1 stock at the par value of 0.50 Baht per stock (unless there is a change in terms and conditions). The warrant regulation is that for 6 months since the offered date, the warrant holders may use this rights to buy, in the first time, no more than 25% of all warrants distributed by the company. Every 12 months after the first time, warrant holder may use no more than 50%, 75% and 100% of all warrants issued by the company respectively. This will result in the registered capital and paid-in capital of the company equal to 113,000,000 Baht, consisting of 226,000,000 common stocks at 0.50 Baht per stock.

At the Extra Ordinary Shareholders Meeting 1<sup>st</sup>/2015 that was held on the 9<sup>th</sup> July, 2015, the resolution was made to adjust the rate of the warrants whereas 1 unit of the warrant can buy 1.16 stocks of the common stocks with the exercise rights of 0.43 Baht since it is the rights offering for raising the capitals to the original shareholders at the price lower than that of the market rate.

At the Board of Director meeting no. 5<sup>th</sup>/2015 held on the 13<sup>th</sup> August 2015, the resolution was made to adjust the price of the warrant to 0.50 Baht. This is because one cannot set the exercise rights lower than the par value, and is going against the original regulations.

8.2 The names of the shareholders of the company, whose name are present in the shareholders register as of 31<sup>th</sup> December 2015, are as follows;

No.	Names	31 <sup>th</sup> December 2015	
		Number of stocks	Percentage (%)
1	<b>Pinthong Group<sup>1/</sup></b>	<b>110,785,930</b>	<b>37.20</b>
	- Thai Industrial Parts Co.,ltd	44,105,600	
	- JTW Assets Co.,ltd	54,672,266	
	- Mr. Peera	6,666,666	
	- Mr. Naohiro Hamada	2,858,000	
	- Mrs. Somsri Duangprateep	650,000	
	- Mr. Suren Suwanwonkij	900,066	
	- Mr. Somchai Benjasiroj	500,000	
	- Miss Arunee Leumprapangkul	200,000	
	- Mr. Pee Pattamaworakulchai	133,333	
	- Mr. Chanin Phupipathiranyakul	66,666	
	- Miss Kesara Phupipathiranyakul	33,333	
2	Thai Industrial & Engineering Sevice Public Company Limited	44,490,700	14.94
3	Miss Boonthida Charoensawat	21,410,800	7.19
4	<b>Mr. Masami Katsumoto Group</b>	<b>20,221,374</b>	<b>6.79</b>
	- Mr. Masami Katsumoto	20,090,600	
	- Mr. Shigehiro Katsumoto	130,774	
5	Mr. Jirat Pangvirunrak	11,080,066	3.72
6	Mr. Jakkaphong Lohajaroensab	9,905,100	3.33
7	Mrs Apiyadee Amatayakul	6,666,666	2.24
8	Mr. Supachai Wattanasuwisut	4,295,100	1.44
9	CREDIT SUISSE AG, SINGAPORE BRANCH	4,007,630	1.35
10	Other	64,944,578	21.81
<b>TOTAL</b>		<b>297,807,944.00</b>	<b>100.00</b>

Remarks: <sup>1/</sup>Pinthong Group is under the control of the Pattamaworakulchai family who manage the industrial estate, steel industry, produce parts for industrial sectors and operating cars rental and transportation business.

## 9. Dividend Policy

The company has the policy to pay-out its dividends to shareholders no less than 30% of the net profit after tax and all the reserves, provided that the dividends pay-out must not affect the operation, stability, liquidity, expansion and any of the future needs which may arise by the company, as the Board of Directors deem appropriate. However, the said procedures must be in the best interest of the shareholders. The Board of directors will consider, revise and present this to the shareholders in the meeting for approval, unless in the case of interim dividend, where the Board of Directors have the power to authorize as long as the company has earned enough revenue to pay-out without affecting the operation of the company and report to the shareholders in the next meeting.

## 10. Organization Chart

### 10.1 Board of Directors

The Board of Directors as of 31<sup>st</sup> December 2015 consists of 8 members as follows;

Name - Surname	Position	Board Meeting	
		No. of Meeting	No. of attendance
1. Mr. Masami Katsumoto	Chairman of the Board	6	6
2. Mr. Naohiro <sup>1/</sup> Hamada	Director	6	6
3. Mr. Rattawat Suksaichol	Director	6	5
4. Mrs. Poonsri <sup>1/</sup> Pattamavorakulchai	Director	6	6
5. Mr. Yuttana Taepangthong	Director	6	6
6. Miss . Valaiporn Kanignunta	Independent Director / Chairman of the Audit Committee	6	6
7. Mr. Nipan Tungpiruttham	Independent Director / Audit Committee	6	6
8. Mr. Santi Niamnil	Independent Director / Audit Committee	6	6

Remarks: <sup>1/</sup>Mrs. Poonsri and Mr. Naohiro Hamada are the representing directors from the the Pinthong Group.

Miss Sakultrip Homanee was the Company Secretary

#### Directors with signing authorization on behalf of the company as of 31<sup>st</sup> March 2016

The number and name of the directors who are authorized to sign to bind the company are Mr. Masami Katsumoto or Mr. Naohiro Hamada or Mr. Rattawat Suksaichol, jointly sign and affix the company's seal

#### **Audit Committee**

The Audit Committee, as of 31<sup>st</sup> December 2015, consists of 3 members as follows;

Name - Surname	Position	Board Meeting	
		No. of Meeting	No. of attendance
Miss Valaiporn Kanignunta *	Chairman of the Audit Committee	5	5
Mr. Nipan Tungpiruttham	Audit Committee	5	5
Mr. Santi Niamnil	Audit Committee	5	5

Remarks: Ms. Valaiporn Kanignunta is the audit committee with outstanding abilities in the fields of financial statement investigation. She graduated with BA in Accounting, Diploma in Auditing and has various experiences as accounting advisor, for example at SC System Network co.,Ltd, and at Aisin Clutch Disk co.,ltd.

At present, she has resigned and the committee has appointed Mr Suvanna Manasati as the Secretary to the Audit Committee.

### Executive Board

Executive Board at of 31 March 2016, consists of 4 members as follows;

Name – Surname	Position
Mr. Masami Katsumoto	Chairman of the Board
Mr. Rattawat Suksaichol	Director
Mr.Yuttana Taepangthong	Director
Mr. Pathom Torteeka	Director

Appointed Miss Pimporn Chakijdee as the Secretary to the Executive Board.

### 10.2 Managing Directors

The Managing Directors, as of 31<sup>st</sup> March 2016, consists of 5 members as follows;

Name – Surname	Position	Remarks
Mr. Masami Katsumoto	President	
Mr. Rattawat Suksaichol	Chief Executive Officer and Director of General Management	
Mr. Shigehiro Katsumoto	Sales and Marketing Advisor	
Mr. Prathom Torteeka	Director of Factory	
Mr. Kiatipoom Poomminun	Director of Sales and Marketing	

#### Scope of work of the Chief Executive Officer (CEO)

- To manage and monitor the Company's business
- To perform any tasks as assigned by the Board of Directors
- To consider employment, appointment, transferring of employees, termination of employment, setting salary, remuneration and bonus packages of all employees, except CEO position
- Authorize to consider and approve the lists of short-term loan within limits of 20 million baht per year for each item.
- Authorize to approve the common and necessary action in the affairs of company general operation as detail below.
  - Sales and services, such as sales approval, common employment agreement approval, etc. while the limits of each customer are not exceed 10 million baht per month.
  - Procurement of raw materials are not exceeds 5 million baht per month per supplier.



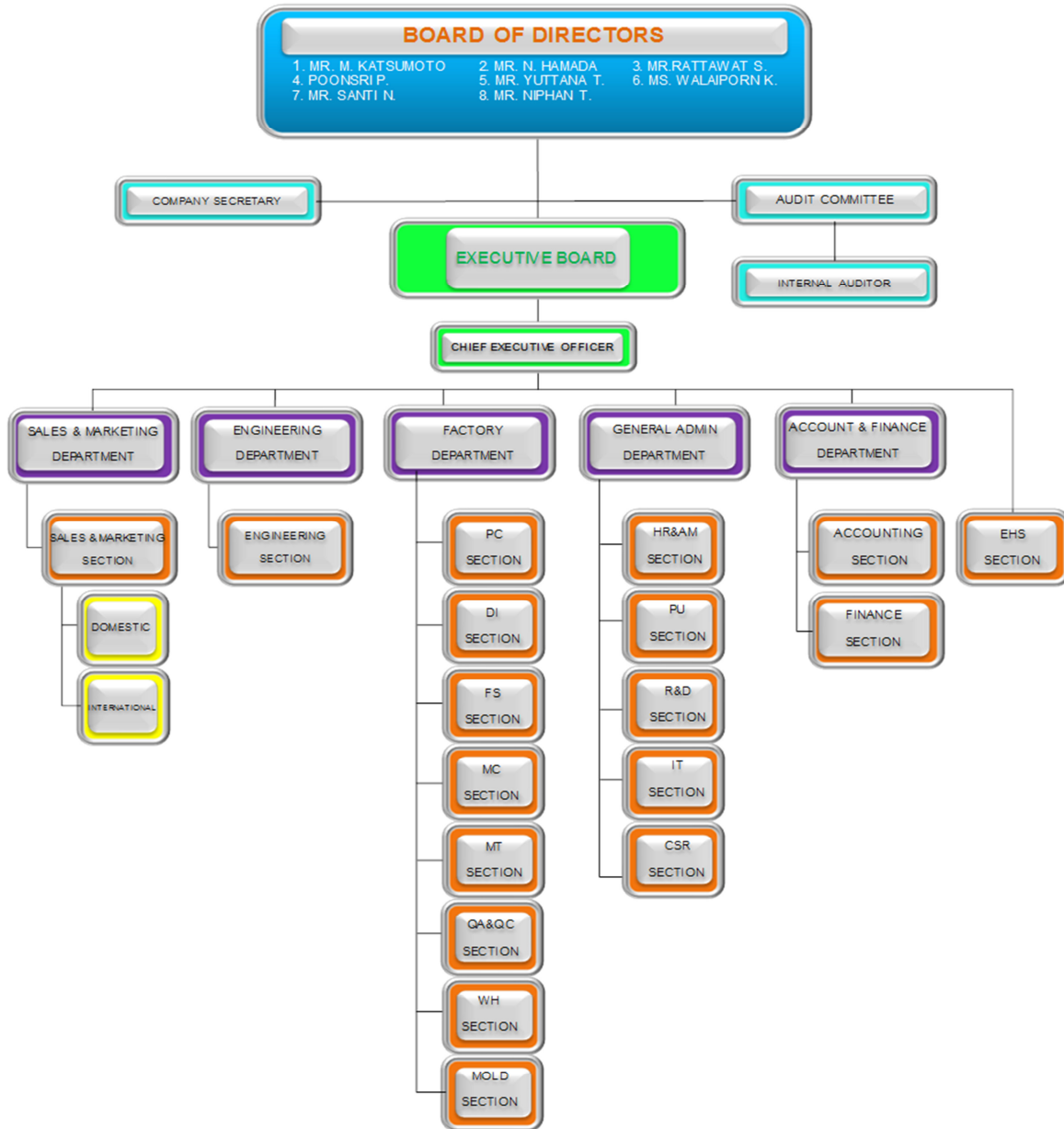
- The service contract, such as a mold making, etc. are not exceeds 5 million baht per month per supplier.
- Subcontract or Vender within the limits not exceeds 2 million baht per month per subcontract or vender.
- Expense for all management in term of other productions is not exceeds 2 million baht per month per supplier.
- Approval of machinery / utilities reparation costs are not exceeds 2 million baht per month per supplier.
- Rental of machinery, equipment for all production / rental of transportation for company officer / rental of transportation for product distribution / equipment and tools include rental of property are not exceed 100 thousand baht per month.

Authorize to approve the action of any investment related to manufacturing development and machinery procurement is not exceeding 7 million baht per year.

6. To empower the command, announcement, regulation or memorandum for operation being in line with policies and interest of the Company and to maintain discipline within the organization.
7. To authorize to act and being representative of the company to a third party involved in the business and benefits of the company
8. To appoint consultant as deemed necessary for the Company's operations
9. Other duties assigned by the Board of Directors

The authority so assigned, however, must not give Chief Executive Office or the persons as authorized the opportunity to consider and approve any transactions that he or his related parties may have interests or conflict of interests of any nature with the Company or its subsidiaries, except for transactions in compliance with Article of Association, SEC and/ or SET criteria that have already been considered and approved by the Board of Directors and/or shareholder's meeting and reviewed by the Audit Committees.

At present (31 March 2016)



### 10.3 Company Secretary

The Board of Director has appointed Miss Sakultrip Homanee as the Company Secretary as of 18<sup>th</sup> September 2009. The qualification of the Company Secretary is in the attachment no.1 of Annual Registration Statement (Form 56-1)

### 10.4 Remunerations of Directors and Executives

#### 1. Monetary remuneration

##### a) Remunerations for the Directors

At the Shareholders Meeting on 28<sup>th</sup> April 2015, the board has approved to remunerate the directors in the year 2015 as follows;

Name of the Board	Amount of Remuneration
<i>Board of Directors</i>	
Board of Directors Meeting Allowances <sup>1/</sup>	5,000 Baht per session
<i>Audit Committee Meeting</i>	
Audit Committee Meeting Allowances	5,000 Baht per session
Monthly fees	5,000 Baht per month

In 2015, the number of times meeting allowances were paid are as follows;

Name - Surname	Remuneration of Directors (Baht)			
	Numbers of Meetings		Monthly Fees	Total
	Board of Directors	Audit Committee		
Mr. Masami Katsumoto	30,000	-	-	30,000
Mr. Naohiro Hamada	30,000	-	-	30,000
Mr. rattawat Suksaichol	25,000	-	-	25,000
Mrs. Poonsri Pattamavorakulchai	30,000	-	-	30,000
Mr. Yuttana Taepangthong	30,000	-	-	30,000
Ms. Valaiporn Kanignunta	-	30,000	60,000	90,000
Mr. Nipan Tungpiruttham	-	30,000	60,000	90,000
Mr. Santi Niamnil	-	30,000	60,000	90,000

b) Remunerations for the Executives

In 2015, the company had remunerated the Executives with salaries and bonuses for the total of 5 members amounting to 11.7 million Baht. (Salary 10.46 million Baht, Bonus 1.24 million Baht)

**2. Non – monetary Remuneration/ Other benefits**

At the first special shareholders meeting 1/2012 held during 30<sup>th</sup> May 2012, the board has agreed to issue a named and non-transferrable stock-purchase warrant to the board of directors and staff members of the company (stock-purchase warrant) for a total amount of 6,000,000 units which will be distributed and sold as common stock to the public with the offer at 0 Baht per unit. The warrant has a 5 years expiration date starting from the first day of the offer where 1 unit of the stock-purchase warrant can buy up to 1 stock at the par value of 0.50 Baht per stock (unless there is a change in terms and conditions). The board also approves the forming of the Remuneration Committee in order to allot the warrant for directors and the staffs of the company which has more than 5% of all the warrant. This committee includes the 3 Audit Committee members to whom the board agrees to remunerate the extra 50,000 Bath by paying the amount after the stocks are offered to the general public for the first time.

At the Extra Ordinary Shareholders Meeting 1<sup>st</sup>/2015 that was held on the 9<sup>th</sup> July, 2015, the resolution was made to assort the common stocks of no more than 589,239 stocks with the value at 0.50 Baht in order to prepare for the adjustment of the employee stocks ownership plan (ESOP), resulting from the quitting and rights offering as follow;

- The ratio with the original 1:1 (1 warrant can buy 1 common stock) was changed to the new ratio of 1:1.16 (1 warrants can buy 1.16 stocks.)
- Change the original price of buying common stocks at 0.50 Baht to the new price at 0.43 Baht per stock.

The meeting of the Board of directors no. 5/2015 held on 13<sup>rd</sup> August 2015 had considered and approved the adjustment of the exercise price of the stocks warrants of Sanko Diecasting (Thailand) Public Company Limited, to the Employee Stock Ownership Plan (ESOP) from 0.43 Baht to 0.50 Baht per share, according to the original terms.

The details of the directors and executives which were given stock – purchase warrant is as follows;

Name – Surname	Position (31 March 2016)	Numbers of warrants received (units)	Percentage of the total warrants distributed to directors and staff members (%)
1. Mr. Masami Katsumoto	President	600,000	10.00
2. Mr. Naohiro Hamada	Director	200,000	3.33
3. Mr. Rattawat Suksaichol	Director / Chief Executive Officer	600,000	10.00
4. Mr. Shigehiro Katsumoto	Sales and Marketing Advisor	150,000	2.50

### 10.5 Personnel

In 2015, the company has in total 381 members of staff (as of 26<sup>st</sup> December 2015). The company has paid the remunerations to staff in total 90.24 million Baht in the form of salary, compensation, over time, travel expenses, bonus, per-diem, incentives and benefits.

	No. of Staffs	Remunerations (million baht)	Average per person (Baht : Person : Year)
Production Line	313	55.84	178,412
Administrative and support	84	34.40	409,515
<b>TOTAL</b>	<b>397</b>	<b>90.24</b>	<b>227,311</b>

Remarks: Production Line Staffs are DI FS MC QC PC MT WH

Changes of labour in the past 3 years

Number of Staffs in 2013 – Total 398 (as of 21<sup>st</sup> December 2013)

Number of Staffs in 2014 – Total 371 (as of 26<sup>st</sup> December 2014)

Number of Staffs in 2015 – Total 381 (as of 26<sup>st</sup> December 2015)

Cases of labour disputes in 2015

– NONE

As for remuneration adjustments, in the recent years, the company uses the annual performance evaluation as the baseline to consider bonuses and the annual remunerations. This is to encourage the staffs and is a payoff to their hard work.

The company also provides benefits to the staffs, for example shifts fee, heat fees (supporting fees for staffs that operate the furnace or heat giving machineries), incentive pay, annual health check-ups, uniforms, and supporting funds to the staffs in the case of marriage, pregnancy and/or give birth, death in the

family, retirement funds, healthcare benefits (group insurance) and supporting funds when being admitted to hospitals. Also, the company supports the foundation of Sanko-Thai Credit Union to encourage savings and promote the unity between members of staff.

Finally the human resource development, the company encourages the staffs to develop not only their skills and careers, but also develop the moral values in order to create a happy work place through various activities and seminar, for example;

1. New staffs orientation where the company trains the new staffs to fully understand their rights and roles as a member of the organization. This includes all the benefits, work standards, safety procedures and other organization cultures. During the probation period, the staffs will be evaluated to see how well they have adapted in to the organization and to their responsibilities as new employees.
2. Develop the skills and knowledge through seminars and on the job training with coaching system.
3. Develop the skills though functional expertise so that the staffs can understand and are able to take responsibility in their role, can teach others and can further grow in their career path.
4. Develop personnel through the company's core values by hosting activities that encourage the staffs to improve the following behaviors';
  - Innovation
  - Proactive Working
  - Achievement Orientation
  - Sense of Belonging

Additionally, the Company prepares events following the Happy Workplace scheme to improve the quality of life of the staffs, so that they can work and live happily in a pleasant environment.

In 2015, the Company prepared for the staffs, management, the Directors and the Company's secretary to participate in the seminars both in and outside of the Organization and join the outside institution for the total of 9,736 hours ([additional information in the attachment 56-1](#))

## 11. Corporate Governance

### 11.1 Corporate Governance policy

The Company is fully aware, and gives all its attention to the “Good Corporate Governance”. The Company believes that the good corporate governance reflects the efficient and transparent management system, which will help promoting the confidence of the Shareholders, investors and all parties involved and will ultimately lead to a sustainable growth of the Company and an increase in value. The Company has continuously encourages the implementation of good corporate governance by advising the directors and the management to develop good corporate governance and the practices in accordance with the international standards. This is done by following the good corporate governance, as directed by the Stock Exchange of Thailand, and adapts it to the Company’s corporate governance. Measures are taken to further improve the said policies in accordance with the guidelines of the Stock Exchange of Thailand, which may change in the future to be better suited for the evolving environment of the Company. The practices cover 5 categories as follows;

#### 1. Shareholders’ Rights

The Company is fully aware and gives its utmost attention to the rights of the Shareholders. This is shown by not taking any actions which may violate or reduce the rights of the Shareholders, including encouraging the Shareholders to use their rights. The basic rights of the Shareholders are, trading or transferring shares, sharing profits with the Company, receiving sufficient information about the Company, attending the meetings to use their rights to vote for appointing or removing the directors, appoints the auditors and any issues which have a direct impact to the Company for example, dividend allocation, setting or amending the regulations and the Memorandum of association, decreasing or increasing the capital and authorizing special transactions.

The Company has the policy to promote conveniency for the shareholders, including the institutional investors by holding the meeting in the place with sufficient access from the public transport so that the shareholders can easily attend the meetings. The Company always provides information, dates, time, place and agendas including all relevant information for making decisions to the Shareholders prior to the meeting and also notifies the shareholders about all the requirements, as well as the voting procedures. The Company encourages the Shareholders to exercise their rights to fully attend the meeting and to vote, and also to express their opinions and raise any questions relating to the Company in the meeting. The Shareholders may also submit the inquiries or agendas prior to the meeting. The Shareholders may also appoint a proxy to attend the meeting in the case of their absence.

## 2. Equal Practice to Shareholders

The Company treats all shares holders fairly and equally, no matter the Shareholders who are Executives, non – Executive, foreign Shareholders and minor shareholders which reinforce the confidence in the shareholders that the board and the management has taken great care in the spending of the shareholders funds which is the main factor in creating the confidence for investing with the Company. The Board of Directors holds the responsibility to make sure that all shareholders are treated fairly and that all their basic rights have been met equally.

The Board of Directors have arranged for the Shareholders Meeting in a way that encourages equal practice to all shareholders and give the chance even for minor shareholders to propose any individuals to take the position as directors, prior to the meeting and in an appropriate time frame. The Company also allows the shareholders who cannot attend the meeting themselves to let their proxies attend the meeting, and also have the rights to vote in their stead.

The Board of Directors has stated the methods to protect and prevent the use of the internal information in writings and will announce this as guidelines for all members of the organization.

## 3. Stakeholders' Roles

The Company is fully aware of its responsibility and practices to different groups of stakeholders and will seek the mutual benefits so that all groups of stakeholders can be confident that there rights will be fully protected and well exercised. This has been set as a guideline to follow in order to clearly meet the demands of all groups of the stakeholders as stated in the “Code of Conducts and Business Ethics” and will promote the Board of Directors, the management team including the workers to regard this as the fundamental principles for working in the Company and to take it as the important responsibility for all members.

## 4. Information Disclosure and Transparency

The Company prioritizes the disclosing of all important information relating to the Company, both financial and non-financial information through an accurate, complete, on-time and transparent channel which is easy to access, fair and respectable.

The Company believes that the quality of the financial related reports is something that the shareholders and the outside information give the utmost importance to, the Board of Directors will make sure that all the information displayed in the financial reports are accurate and follow the general standard accounting practices and have been evaluated by an independent auditor. The Company has appointed the Audit Committee, which consists of independent directors who takes responsibility for the quality of the financial report and the internal control. The Board of Directors' reports, Audit Committee's report and the auditor's reports are all presented in the Annual Report.



## 5. Responsibilities of the Board of Directors

The Board of Directors has the vital role of overseeing the operation to ensure the benefits of the Company. The Board of Directors takes action in place of the shareholders and is independent from the management.

The Board of Directors must have leadership, visions and can make an independent decision for the benefits of the Company and for the shareholders. In order to do so, the system is in place to clearly separate the responsibilities between the Board of Directors and the management, and to ensure that all of the Company's activities proceed in a lawful and ethical way.

The Board of Directors consists of personnel with various qualifications, not only skills and experiences but also specialized talents that are useful to the Company, including their devotion and dedication to strengthen the Company and the Board of Directors.

The procedure to elect the Board of Directors, so that they can be appointed by the shareholders, have been done transparently with no influences of the shareholders or from the management team and is assuring to the outside individuals.

To ensure that the Board of Directors can work efficiently and the effectively, the Board of Directors had asked for the Audit Committee to help supporting the directors in the area of financial reports, internal control system's efficiency and executing the rules, regulations and all codes of ethics to promote good corporate governance.

Each director has a good understanding of their responsibilities as Board of Directors and to operate the Company, always ready to share their opinions independently and constantly improve themselves to adapt to the modern times. The Board of the Directors holds this position with honesty, carefully and thoughtfully by considering the benefits of the Company and being fair to all shareholders, giving all information fully and completely.

## 11.2 Subcommittees

### 1. The Board of Directors

#### Scope of Authorities of the Board of Directors

The scope of authority, duties and responsibilities of the Board of Directors as concluded in the 2<sup>nd</sup> Shareholders Meeting on the 15<sup>th</sup> December 2009 is as follows;

- 1) To manage the Company in compliance with laws, objectives, Article of Association, the legalized resolutions passed at shareholders' meeting with honesty, carefulness and protection of the interests of the Company.
- 2) To appoint the management of the Company from some of directors and / or its executives to take any action as assigned by the Board of Directors and appoint other committee as it determines appropriate

- 3) To determine the Company's target, policy, business plan and budget, as well as supervise and monitor the management to ensure that they conform the Company's policy.
- 4) To review and approve policy, direction, strategic, business plan and large investment projects of the company that proposed by management.
- 5) To monitor the Company's operating performance to ensure ongoing compliance with the plans and budget
- 6) To consider and approve the significant matters relating to the company or any appropriate operations for the best interest of the Company

An exception for the following matters will be made when approved by the shareholders' meeting. In addition, directors cannot approve any transactions that he/she has interests or conflict of interests of any nature with the Company or its subsidiaries.

(A) Subject to laws must be resolved by the shareholders meeting.

(B) The transactions, which directors have interests or conflict of interests under laws or the requirements of the Stock Exchange of Thailand, have required an approval of the shareholders' meeting.

The following matters must be approved by the Board of Directors by majority vote of the directors attending the meeting and the shareholders' meeting by vote of not less than 3 in 4 of the total votes and entitled to vote.

(A) To sell or transfer entire of the business or a significant part to other parties

(B) To acquire or transfer other companies or private company

(C) To change or terminate some or whole of leasing contracts of the Company and assign person to manage the business of the Company or merge with another party with the purpose of sharing profit together.

(D) Any changes in memorandum of association or article of association.

(E) Capital increase or reduce, bond issuing, merger and acquisition or liquidate the company

(F) Any other matters must be approved by the Board of Directors and the Shareholders' Meeting under the securities laws and / or the requirements of the Stock Exchange of Thailand.

## 2. The Audit Committee

### Scope of Authorities of the Audit Committee

1. To review the Company's financial reporting process to ensure that it is accurate and adequate;
2. To review the Company's internal control system and internal audit system to ensure that they are suitable and efficient, to determine an internal audit unit's independence, as well as to approve the appointment, transfer and dismissal of the chief of an internal audit unit or any other unit in charge of an internal audit;

3. To review the Company's compliance with the law on securities and exchange, the Exchange's regulations, and the laws relating to the Company's business;
4. To consider, select and nominate an independent person to be the Company's auditor, and to propose such person's remuneration, as well as to attend a non-management meeting with an auditor at least once a year;
5. To review the Connected Transactions, or the transactions that may lead to conflicts of interests, to ensure that they are in compliance with the laws and the Exchange's regulations, and are reasonable and for the highest benefit of the Company;
6. To prepare, and to disclose in the Company's annual report, an audit committee's report which must be signed by the audit committee's chairman and consist of at least the following information:
  - an opinion on the accuracy, completeness and creditability of the Company's financial report,
  - an opinion on the adequacy of the Company's internal control system,
  - an opinion on the compliance with the law on securities and exchange, the Exchange's regulations, or the laws relating to the Company's business,
  - an opinion on the suitability of an auditor,
  - an opinion on the transactions that may lead to conflicts of interests,
  - the number of the audit committee meetings, and the attendance of such meetings by each committee member,
  - an opinion or overview comment received by the audit committee from its performance of duties in accordance with the charter, and
  - other transactions which, according to the audit committee's opinion, should be known to the shareholders and general investors, subject to the scope of duties and responsibilities assigned by the Company's board of directors; and
7. To perform any other act as assigned by the Company's board of directors, with the approval of the audit committee.

In its performance of duties under the first paragraph, the audit committee must be directly responsible to the Company's board of directors, while the Company's board of directors shall remain responsible to third parties for the operations of the Company.

In the case that the audit committee's duties are changed, the Company shall report on a resolution to change its duties, and shall prepare a list and scope of work of the audit committee according to such change in the form as prescribed by the Exchange. Such list and scope of work must be submitted to the Exchange within 3 (three) business days from the date on which

the change is made in accordance with the procedures under the Exchange's regulations relating to reporting via an electronic media.

### 3. Executive Board

#### Authorities and Limitation of the Executive Committee

1. The Executive Committee has the authority in setting the policies, goals, strategies, work procedure and annual budget as designated and also the business activities which must follow the policies, regulations or any other orders by the Board of Directors. Moreover, the Executive Committee is responsible for evaluating, screening, inspecting all issues presented to the Board of Directors for further approval or acknowledgement.
2. The Executive Committee has the power to direct the organizational structure by covering the selection process, trainings, benefits and including the Company's dismissal of the staffs.
3. The Executive Committee may appoint or assign any individual to perform any tasks instead of the Executive Committee as appropriate and that the Executive Committee may cancel, adjust or revise such authorities.

## 11.3 The selection and the appointment of Directors and Chief Executive Officer

### The Selection of Directors and CEO

#### 1. The Board of Directors

The selection of the individuals for the position of the Board of Directors does not come from the nomination committee. The selection of the directors is the responsibility of the Board of Directors which will consider from the qualifications as per the Section 68 of the Public Limited Company Act B.E 2535 and as per the related announcement by the Securities and Exchange Commission. Moreover, the Board of Directors will consider experts from various fields to take up the positions which will be beneficial to the company for advising and giving opinions on many issues. The person must have a strong leadership, visions, morals and ethics with a clean, transparent work profiles and can make an independent decision. Once this is decided, the names will be presented in the Shareholders Meeting for appointment.

Directors shall be elected by the General Meeting of Shareholders under the criteria and procedures as follows;

- a) A shareholder has one vote per one share.
- b) In the election, the shareholders may vote to the nominee individually or many persons at a time depending on the decision of the meeting. The share holders may utilize the vote as per a) to vote, but cannot distribute different amount of votes to many different nominees.
- c) The person who receives the votes of the highest number and the next persons in the order of the number of votes received shall be elected Directors in the number permitted. In case the

next persons in the order of the number of votes received obtain equal numbers of votes and the number of such persons exceeds the remaining number of Directors permitted, the Director to be elected therefore shall be decided by the Chairman.

At the Annual General Meeting of shareholders one-third of the Directors, or if their number is not multiple of three, then the number nearest to one-third must retire from office. A retiring director is eligible for re-election. The directors, who will retire in the first and second year after the company is listed, will cast lots to see who will retire in the following years and the director with the longest time on the post will retire from office. The retired directors may be re-elected back into position again.

In case the post of a Director has been vacated owing to reasons other than by completion of his tenure, the Board of Directors shall elect a qualified person, who does not have any prohibitive attributes pursuant to Section 68 of the Public Limited Company Act B.E. 2535 as a replacement Director for subsequent meetings of the Board of Directors unless the remaining period of the tenure is less than two months. The person who becomes a replacement Director may remain so as long as his/her time as Directors allowed, and must have the approval of no less than 3 out of 4 of the remaining directors.

In addition, the Board of Directors must consist of at least 1 in 3 Independent Directors from all of the Company's directors but no less than 3 persons.

#### **The Definition of Independent Directors**

"Independent Director" is the person who has no relation at all to the management of the company and/or the operation of the Company's business. This person is independent from major shareholders and from Company's executives, including the close relatives of the said people and can express their opinions freely by considering the benefits of the Company and of the Shareholders first.

#### **Qualifications of Independent Directors**

1. Must be a person with qualifications that does not violate the rules, regulations and any other applicable laws.
2. Holding shares not exceeding 1% of the total number of shares with voting rights of the Company, its parent company, subsidiary company, associate company, or juristic persons which may have conflicts of interests by counting also the shares of relating persons.
3. Neither being nor used to be an executive director, employee, staff, advisor who receives salary, or controlling person of the Company, its parent company, subsidiary company, associate company, same-level subsidiary company, major shareholder or controlling person, unless the foregoing status has ended not less than 2 years before the appointment date.
4. Not being a person related by blood or legal registration as father, mother, spouse, sibling, and child, including spouse of child, executive, major shareholder, controlling person, or person to be nominated as executive or controlling person of the Company or its subsidiary company.

5. Neither having nor used to have a business relationship with the Company, its parent company, subsidiary company, associate company, major shareholder or controlling person, in the manner which may interfere with his independent judgment, and neither being nor used to be a significant shareholder or controlling person of any person having a business relationship with the Company, its parent company, subsidiary company, associate company, major shareholder or controlling person, unless the foregoing relationship has ended not less than 2 years before the appointment date.
6. Neither being nor used to be an auditor of the Company, its parent company, subsidiary company, associate company, major shareholder or controlling person, and not being a significant shareholder, controlling person, or partner of an audit firm which employs auditors of the Company, its parent company, subsidiary company, associate company, major shareholder or controlling person, unless the foregoing relationship has ended not less than 2 years before the appointment date.
7. Neither being nor used to be a provider of any professional services including those as legal advisor or financial advisor who receives service fees exceeding 2 million baht per year from the Company, its parent company, subsidiary company, associate company, or juristic persons which may have conflict of interests, and not being a significant shareholder, controlling person or partner of the provider of professional services, unless the foregoing relationship has ended not less than 2 years before the appointment date.
8. Not being a director appointed as representative of directors of the Company, major shareholder or shareholder who is related to a major shareholder of the Company.
9. Not having any other characteristics which cause the inability to express independent opinions with regard to the Company's business operations.
10. Not undertaking any business in the same nature and in competition to the business of the Company or its subsidiary company or not being a significant partner in a partnership or being an executive director, employee, staff, advisor who receives salary or holding shares exceeding 1% of the total number of shares with voting rights of other company which undertakes business in the same nature and in competition to the business of the Company or its subsidiary company.
11. Independent Directors must immediately notify the Board of the Directors in any situation which may jeopardize their qualifications as the Independent Director of the Company.

Once the Independent Directors have been appointed as per the above qualifications, the independent director may be assigned by the Board of Directors to take part in the business decision of the Company, its parent company, subsidiary company, associate company, same

level subsidiary company, with juristic persons who may have conflict of interests, provided that such decision shall be in the form of collective decision.

## 2. The Audit Committee

The Board of Directors or the General Shareholders Meeting has the authorization to appoint the Audit Committee. The Audit Committee must have all the qualifications complying with the Securities and Exchange Act, including the announcement, enforcements and/or regulations made by the Securities and Exchange Commission. The Audit Committee must consist of no less than 3 persons with at least 1 auditor with an expertise in accounting and finance.

## 3. Executive Board

### Requirements and Qualifications

1.1 The Executive Committee consists of the Chief Executive Officer and no more than 4 others as suggested by the CEO and must be approved by the Board of Directors. However, the Executive Committee will select an individual within the committee to be the Chairman of the Executive Committee and another person to be Vice Chairman.

1.2 The Executive Committee appoints the secretary of the committee. The role of the secretary of the executive committee is to arrange meetings, gather documents for the meeting and also prepare the meeting minute for the committee every time.

1.3 The Executive Committee must hold meetings as appropriate but must not be less than once per month.

1.4 The Chairman of the Executive Committee will call for the Executive Committee Meeting. In the case that the Chairman could not perform his/her duty, the Vice Chairman will do it instead.

### Terms of the positions

1. In the case that the Executive Director is the Board of Director, let the terms be under the Board of Director.

2. In the case that the Executive Director is the Manager, let the terms be under the Company's Manager.

3. In the case that the Executive Director is an outsider who is neither Director or Manager of the Company or is an outside individual, the position will be as the resolution of the committee.

## 11.4 New Directors Orientation

When taking up the position of the Company's Director / Independent Director, each director will receive the Director Manual and learn all vital information regarding the Company such as the

regulations outlining the limit of the authorities, duties and responsibilities of the Directors, advice on the law, rules and all the terms for being the Directors in a listed Company of the Stock Exchange of Thailand, including the knowledge in the business of the Company.

### 11.5 Control of Internal Information

The company has devised a policy for controlling the internal information to prevent the information, which have not been released the public, to be used for personal gains or for the benefits of other persons whether or not directly or indirectly, which may cause the movement of stocks prices in the Company. The summary of the control of internal information is as follows;

1. Educate the Directors and Executives about the responsibilities to report the securities holdings of themselves, spouses and minor child according to the section 59 and including the punishment under section 275 of the Securities and Exchange Act B.E.2535 and by the regulations of the Stock Exchange of Thailand.
2. The Company states that its Directors and Executives must report the changes in their securities holdings to the Securities and Exchange Commission and file a copy of the report to the Company on the same day as the report to the Securities and Exchange Commission.
3. This is to be enforced once the stocks have been sold to the public.

The Company has notified the Directors and the staffs of the Company that all members of the Company who has received vital financial information or significant internal information of the Company, which has the effect on the change in the value of stocks, must avoid trading in the company's assets for 1 month before such information has been released to the public and forbid all discoursing of such significant information to other persons. If such violation takes place, the Company will proceed to disciplinary action and consider the punishment depending on the case. This includes verbal warning, written warning, salary reduction, temporal suspension, job termination without pay or prosecution.

### 11.6 Audit Fee

#### 1. Audit Fee

At the General Shareholders Meeting of the year 2013 on 11<sup>th</sup> April 2013, the meeting approved the Audit fee of the year 2013 to be 650,000 (Six hundred and fifty thousand Baht)

At the General Shareholders Meeting of the year 2014 on 28<sup>th</sup> April 2014, the meeting approved the Audit fee of the year 2014 to be 800,000 (Eight hundred thousand Baht)

At the General Shareholders Meeting of the year 2015 on 27<sup>th</sup> April 2015, the meeting approved the Audit fee of the year 2015 to be 800,000 (Eight hundred thousand Baht)



## 2. Non Audit Fee

-NONE-

## 11.7 Other Practices of Good Corporate Governance

The attendances of Audit Committee's members in the year 2015

Name - Surname	Position	Board Meetings	
		Number of Meetings	Number of Attendances
1. Miss Valaiporn Kanignunta	Chairman of the Audit Committee	5	5
2. Mr. Nipun Tungpiruttham	Audit Committee	5	5
3. Mr. Santi Niamnil	Audit Committee	5	5

## 12. Corporate Social Responsibility (CSR)

### 12.1 Overview of Policies and Procedures

The Board of Directors is obliged to see the Company and its subsidiaries operating the core business with responsibilities towards the society, the environment and the stakeholders. In 2015, the Company has reviewed its vision, mission and goals and disclosing them in the Company's website under 'Company's Info', in order to act as the main principles for the directors, managers and members of staff, by considering the rights of all stake holders under the code of laws, the regulations of the Company, code of ethics, fairness and equality. The objective is for the managers and the members of staff to follow the socially desirable practices which will lead to sustainable growth and development of the Company.

### 12.2 Practices under the Corporate Social Responsibility (CSR)

The Company strives to operate its businesses under the code of ethics and the good governance together with the care and responsibility given to the society and the environment, in order to lead the Company to sustainable development, by following the principles of Corporate Social Responsibility (CSR). The Company believes that 'Corporate Sustainability' is the most important factor in managing the organization in the modern day. By setting up the CSR policies so that the managers and the members of staffs can follow as practical guidelines towards the community, society and to the stakeholders, will result in a variety of positive gains to the Company, for example, building on the Company's credentials and building on the positive image of the Company towards the society, etc. The Company utilizes 8 principles of responsibilities as provided by the Stock Exchange of Thailand as follows;

#### 1. Fair Operation Practices

The Company has set a regulation displaying the fair operation practices when doing business with partners and competitors including strictly following the laws so that the Executive Director and members of staff can follow the guidelines as stated in the 2015 manual Code of Ethics and the Code of Conduct under section 1) The conflict of interest policy, section 7) Customer treatment policy and products quality, section 8) Customer/debtors treatment policy and section 9) Competitors treatment and practices policy.

#### 2. Anti-Corruption

This follows the anti-corruption practices and encouraging the honest business procedures under a strong working system and an effective internal control system as stated in section 13. Anti-corruption policy in the annual report of 2015 and the channels to inform the leads regarding the corruption as stated in the procedures follow-up section 3. Inquiring and reporting in the case of the breach of Company's ethics. The complaints may be submitted through multiple channels.

However, in 2015, there were no cases of complaints or leads regarding the corruption to the audit committee.

#### 3. Respecting Human Rights

The Company prioritizes on the respect of human rights, not engaging in actions which violates the human rights and equally treats individuals no matter the sexes, religions, races, age or origins. The Company also hires the hearing impaired and the physically disabled to be in employment with no disregards to any particular sex, as stated in the section 10) Staffs treatment and policy and staff's freedom of opinion. The staffs can also express their political rights freely as stated in section 11) Staffs behavior and treatment to other members of staff – political rights.

#### **4. Fair Treatment of Employee**

This is the guidelines relating to the code of ethics of the staffs regarding self-treatment, customer treatment including all parties involved, the society, staffs treatment, organization treatment and exercising their political rights. The Company lawfully employs their staffs and respect the human rights of the employees by covering the areas of employment, social securities, freedom to socialize, health and safety, as stated in section 11) Staffs behavior and treatment to other members of staff.

The work environment has also been treated in a way that it reflects the safety and quality of life of the staffs while working. The Company provides benefits and salary to the employees correctly according the labor law, prepares recreation activities for staffs to relax, training programs to improve the staffs' skills and also establish provident funds for the staffs as well. In addition, the Company respects all rights of the employees by not bullying or threaten the staffs in anyway, for example, the rights for holiday leaves, personal leaves, sick leaves, the rights to express their opinions towards the work policies freely in which the staffs may submit their suggestions through the Human Resource department of the Company or through their supervisors, as stated in section 10) Staffs treatment and policy.

#### **5. Responsibility to Consumers**

The Company is aware of the efficient services in order to meet the customers' satisfaction in the time provided under strict safety measures as stated in section 7) Customer treatment policy and products quality. The Company conducts the survey to investigate the satisfaction of the customers annually by using the questionnaires for 4 different departments being evaluated which are the sales department, the production department, the logistics department and the quality control department. The questionnaires cover the following areas;

1. Information given prior to the start of the projects.
2. Communication
3. Readiness of paper documents
4. Staffs coordination to solve problems conveniently and quickly
5. Finish up the projects on time
6. The products are accurate according to the orders, including all related paper works.
7. Cleanliness/tidiness of the packaging
8. Customers' satisfactions of the products

The feedback of the customers will be presented to the managers and use it as the guidelines for improving the services that better responds to the satisfaction of the customers.

Caring and following up with the customers whether or not the operation has been done successfully meeting the satisfaction of the customers, must be done cautiously and carefully abiding the laws and regulations related. If any problem arises, the Company, together with the customers, must discuss to settle on a solution by not leaving the burden to the customers alone. The success of the Company comes from the satisfactory of the customers; therefore, the Company must maintain a good relationship with the customers in every way as stated in section 7) Customer treatment policy and products quality – Customers Treatment Policy.

The customer satisfaction rating on the company . as the detail below

Department	In time delivery	Clean & completion of packing	Correction of product to delivery	Correction of document (bill,tag)	Attendance & support	Cooperate to help your problem
Planning	A	A	A	B	A	B
	Response of problem	Preventive action & corrective	Attendance & support	Cooperate to help your problem	Satisfaction of product	
Quality Control	B	B	B	B	B	
	The speed quotation	Attendance & support	Cooperate to help your problem	Correction of document (Quotation)	Compare price with competitor	
Sales	B	A	B	B	A	
	The speed of working & coordination	Cooperate to help your problem	Correction of document (Quotation)			
Production	B	A	A			

#### 6. Community and Social Development Participation

The Company aims to operate its businesses with utmost responsibility to any activities which may incur due to the establishment of the Organization. The Company upholds the principle of transparent business, accountable, ethical, respecting the human rights and the benefits of the stakeholders. The Company is considerate of the community and the environment in order to build a foundation of sustainable social responsibilities as stated in section 12) Corporate social responsibility policy, and carried out through the activities as follows;

The Company operates its business by determining to be a part of the community and the stakeholders and the business operation has taken into consideration the responsibility to the society, sharing the benefits and create a harmonious community so that the business, community and the society may prosper sustainably through the activities as follows;

**1. Happy Society: Sanko shares love to the World**

The Company hosted the event 'Happy Society: Sanko shares love to the World' which is part of the Happy Workplace activity by donating used electrical appliances, books, clothes and other tools to the Mirror Foundation for further donation to the less fortunate, on the 27<sup>th</sup> March 2015.



**2. Annual Blood Donation of 2015**

The staff of the Company and the general public had donated blood to the Red Cross of Rayong province and to the blood transfusion medicine section of Rayong Hospital. This event was held within the factory at the Learning Center building on the 30<sup>th</sup> June 2015. The amount of blood received was 39,960cc across 81 donors.



**3. Supporting the Children's Day activities**

The Company has sponsored educational equipment, snacks and ice-cream to the children in 3 schools within the community which are Nong Grub School, Ban Hin Kong Prachanugroh School and Ban Kong Yai Maung School, on the 9<sup>th</sup> of January 2015.



#### 4. Watsangsook (Temple of Happiness)

The Company, in conjunction with the Technology Promotion Association (Thailand – Japan) or the TPA and the Thai Health Promotion Foundation had hosted the event '5C' to improve the landscape of the temples, clean and attractive. This event had started from December of 2014 until June 2015, lasting 7 months at Pibpali Wanaram Temple, t. Nongbua, a. Ban-Kai, Rayong.



#### 7. Environmental Management

The Company determines to operate on environmental management, which must be done together with the business operation. The Company focuses on producing quality automobile parts, taking into account the safety to the consumers and the effects on the community and the environment by following the laws and other regulations or any related international standards as stated in section 12) Corporate social responsibility policy.

Additionally, the Company follows the environmental management policy (ISO14001) in order to reduce the side effects that may happen as a result of the production or any factory activities. The Company upholds the practices which are friendly to the environment by strictly following the laws and other regulations which will lead to true sustainability of the Organization, the community and the society. The practices as follows;

1. The Company is certified with ISO14001 which covers all area of the Company. The factory was inspected by an outside auditor which is independent to the URS.

2. The Company has participated in the Profitable Environmental Management: PREMA program under the 'Green Automobile Parts Manufactures' with the German international cooperation (GIZ) with the following measures;

- 1) Limit the amount of Flux used appropriately.
- 2) Recycle by melting into ingot, ready for use again.
- 3) Carry out the recycle process into aluminum ingot, ready to use.
- 4) Modify the shelves into the energy-saving model.
- 5) Design the position of the fan, so that the maximum energy efficiency is reached.

6) The air mixed in the process is either too little or too much, resulting in an incomplete combustion and the loss of heat. The total cost of saving is 55,443,077.58 Baht / year and the reduction of CO<sub>2</sub> released at 4,193.42 ton CO<sub>2</sub> e/kg per year.

3. In 2015, the Company received no complaints on environmental issues or cases which violates the laws both internally and outside of the Company.

#### 8. Innovations and Dissemination of CSR innovations

The Company has taken the creative ideas and experiences from the business operations to develop and implement into discovering new business innovations which can be beneficial and improve the ability to compete, adding the value to the business and the society both at the same time. The Company has emphasized this as one of the three core missions. To elaborate, in 2015, the Company



has prepared a dry-off table in the mold injection department to utilize electricity as little as possible. The result is the reduction in the costs of electricity of 8,773.44 Baht per 1 table or the total amount of 157,921.92 Baht per year per 18 table used.

#### 9. Corporate Social Responsibility Report

The Company emphasizes on the importance of information disclosure which reflects its corporate social responsibilities (CSR). This information will be valuable to all stakeholders and therefore, the Company has prepared a Sustainable Development Report (SD Report) which reports all of the CSR as indicated in the annual report (56-1) and shown through the Company's website, [www.sankothai.net](http://www.sankothai.net) with the details as follows;

##### 1. Economic

The Company operates under the law and related regulations, transparently discloses any important information and is verifiable. The Company follows the principles of good governance by considering the utmost benefits for the shareholders, staffs, community, society, trade partners, customers, competitors and all parties of stakeholders.

##### 2. Environment and Safety

The Company aims to operate in terms of the environment and the safety issue by considering the safety at work, the health of the staffs and protect the environment both inside and outside of the factory together. Since this is part of the business operation, the Company has arranged for the environmental management (ISO14001), occupational health and safety (OHSAS/TIS 18001), including the waste treatment system form the production line which is in accordance with the law and other related regulations.

##### 3. Society

The Company treats the employees fairly both in employment with no basic rights violation, appropriate compensations, providing work benefits in response to the staffs' demands, improving the staffs skills in accordance with the Organization's value and also runs the internship programs for the students from Rayong Technical College as well.

## 13. Internal Control and Risks Management

### 13.1 The evaluation of the Internal Control System by the Boards of Directors.

During the second meeting of the Board of Directors on 24<sup>th</sup> February 2016 where all the three members of the Audit committee are also present, has given the opinion about the internal control and approve the evaluation under 5 categories as follows;

1. Control element
2. Risk Assessment
3. Control activities
4. Information and Communication
5. Monitoring activities

The committee agrees that the internal control system of the company is sufficient and adequate. The company has allocated enough personnel to ensure that the operation can run smoothly. Detailed evaluation on the sufficiency of the internal control system of the company can be found in the attachment no.3 "Evaluation on the sufficiency of the internal control system".

Also, P.V. Audit Co.,Ltd, the auditor of the company who examines the quarterly and yearly financial statement of the year 2015, has evaluated the accounting system and the internal accounting control system of the company. The auditor has made several remarks regarding the company's internal system on checking the financial statements. The summary of important issues is as follows;

Observation	Explanations and Solutions
1) The following documents were delayed in preparation for the financial statement <ul style="list-style-type: none"> <li>- Details on deferred tax.</li> <li>- Details on income tax.</li> <li>- Details on the fair value of ESOP.</li> <li>- Details on the Research budget.</li> <li>- Details on the ledger.</li> <li>- Reports on gross profit divided by categories.</li> <li>- Reports comparing costs relative to production and sales</li> <li>- Details and notes on financial statement</li> <li>- Details on staff's benefits</li> </ul>	Due to a sudden resignation of an accounting department Manager, the documents preparation has been affected. At present, the vice manager has replaced this position. When the new manager has been selected, the paperworks will be handled on time.



Observation	Explanations and Solutions
2) The Company is in the process of collecting up-to-date production data, which requires certain amount of time to prepare.	1) In the process of adjusting correctly the data of the production in the ERP system. To be finished by the 2nd quarter. 2) Revision schedule twice per year. 3) Always adjust the data every time there is an increase or decrease in production capacity, for example, when there are additional machinery.
3) The Company does not distinguish the costs and revenue under the correct terms and conditions for the business which was promoted through investment and for the business which not promoted through investment.	In the process of improving the ERP system. Presently, the diecasing machinery's data has been recorded in the production through all steps of WIP. The remaining procedure is for the information to be recorded to FG and sales invoice which is designed to edit together with FG Barcode within the 2nd quarter of 2016.

The Audit Committee agrees that the company has take actions as advised by the auditors about the above remarks and, the issues which are under revision do not have a significant impact to the credibility of the company's financial statement or to the company's internal control system.

### 13.2 The evaluation of the Internal Control System by the Audit Committee.

The Audit Committee is of the opinion that the company has sufficient and adequate internal control system. This includes the ability to make transactions with major shareholders, directors or any relating

personnel. The evaluation of the Audit Committee can be seen in attachment no.15. of Annual Registration Statement (Form 56-1)

### 13.3 Head of the internal audit of the company.

During the 4<sup>th</sup> Audit Committee meeting on the 13<sup>th</sup> August 2015, Thai Audit Ltd., the external audit company, has been appointed as the “Internal Audit” to monitor all operations and financial activities of the company for the year 2016 with Miss Rakchanok Somnienglum acting as the main internal auditor of the company.

The Audit Committee has evaluated all the qualifications of Thai Audit Ltd., and Miss Rakchanok Somnienglum and agrees that they are sufficient to perform the appointed tasks since they are an independent company, have experiences in terms of internal audit and have attended seminars which are relevant to performing this task, which are 1) Internal Quality Assessment – seminar held by The Institute of Internal Auditors of Thailand (IIA), 2) Audit Project Management – seminar held by the IIA, 3) Operational Auditing – seminar held by the IIA, 4) Certificate of Tax Law – by the Central Tax Court, 5) Deferred Tax: Accounting Principles and Taxation, Commonalities among the Differences – seminar held by the Federation of Accounting Profession (FAP), 6) Thai Auditing Standards (TSA) of 2012 – held by FAP, 7) Taxation for International Transactions – seminar held by FAP.

To ensure that the company comply with all the regulations smoothly, proceed with each steps legally and within the terms of the company and to allow the internal auditor to work as checks and balance fully, the company requires the auditors to report directly to the Audit Committee and to the Board of Directors, who has the responsibility of overseeing the good practice of the internal control system, and file the reports for the Managing Director to help regulate and manage the staffs in the relevant department to improve as advised. The internal auditor must file a report quarterly.

However, the decision to approve, appoint, dismiss or transfer the Head of the Internal Audit of the company, must be approved by the Audit Committee with the relevant specifications as shown in the attachment no.15 of Annual Registration Statement (Form 56-1)

## 14. Inter Company Transaction

### 14.1 Details of the inter-transaction

Inter – transactions between person and juristic person which may caused conflicts between the tear 2014 and 2015 are as follows;

Person / Juristic person which may have conflicts / Types of business	Types and details of transactions	Value of Transactions (Baht)		Reasonable of Issue
		31 DEC 14	31 DEC 15	
Jutha Wan Metal Ltd. : Retailers of steel and stainless steel	A guarantor of the promissory note and the overdraft account for the company - Guarantor's Credit - Guarantor's Credit Fees Initial Balance Transaction Fees VAT Installed Payments Remaining Balance	17,500,000  29,726 350,000 24,433 320,273.98 29,726.02	-  29,726.02 253,150.70 17,720.55 282,876.72 -	Jutha Wan Ltd., and Thai Industrial Parts Co.,ltd acted as guarantors of the promissory note and the overdraft account from a certain financial institute for the company, with the guarantor fees at 2% per year for the credit, which the company needs this financial support to invest and fund the operation. However, the company will revoke the guaranteed credit if there is a better offer from a financial institute. <u>Audit Committee's Opinion</u> The Audit Committee had investigated and evaluated the said item and all agreed that the promissory note and the overdraft account are beneficial to the company. The guarantor's fee is at the adequate rate and is similar to other commercial banks. Moreover, this must be done to comply with the bank's regulations so it is vital to have this guarantor's credit.

Person / Juristic person which may have conflicts / Types of business	Types and details of transactions	Value of Transactions (Baht)		Reasonable of Issue
		31 DEC 14	31 DEC 15	
JTW Asset co.Ltd. : Renting, selling, buying and real estate operations	Bank Guarantee, Promissory Note and Overdraft - Overdraft - Bank Guarantee fee <u>Balance</u> <u>Interests per installments</u> <u>Outstanding</u>	15,000,000 - - 86,301.37 -	15,000,000 - - 900,000 -	The Company has taken short term loans by issuing the promissory notes to JTW Asset co.ltd with the interest rates of 6% per year. The promissory note is number SDT2557/003 with the value of 15,000,000 dating 27 <sup>th</sup> November 2014, ending on the 31 <sup>st</sup> March and expires on 31 <sup>st</sup> March 2015. When the note reached the expiration date, another promissory note was issued under the number SDT2558/002 dating 13 <sup>th</sup> March 2015 and ending on 31 <sup>st</sup> December 2015. Then finally another note under the number SDT2558/009 dating 31 <sup>st</sup> December 2015 and ending on the 31 <sup>st</sup> December 2016 with 6% interest rates. <u>Audit Committee's Opinion</u> The Audit Committee has considered the said transaction and is of the opinion that, the short term loans by issuing the promissory note to JTW Asset co.ltd is beneficial for the Company and has an appropriate fees in the same range as the other commercial banks.
Thai Industrial Parts co.,ltd : Produce parts for electrical goods and automobiles by extrusion and colour coating	A guarantor of the promissory note and the overdraft account for the company - Guarantor's Credit - Guarantor's Credit Fees Initial Balance Transaction Fees VAT Installed Payments Remaining Balance	17,500,000 29,726 350,000 24,433 320,273.97 29,726.03	- 29,726.03 253,150.69 17,720.55 282,876.72 -	Jutha Wan Ltd., and Thai Industrial Parts Co.,ltd acted as guarantors of the promissory note and the overdraft account from a certain financial institute for the company, with the guarantor fees at 2% per year for the credit, which the company needs this financial support to invest and fund the operation. However, the company will revoke the guaranteed credit if there is a better offer from a financial institute. <u>Audit Committee's Opinion</u> The Audit Committee had investigated and evaluated the said item and all agreed that the promissory note and the overdraft account are beneficial to the company. The guarantor's fee is at the adequate rate and is similar to other commercial banks. Moreover, this must be done to comply with the bank's regulations so it is vital to have this guarantor's credit.

Person / Juristic person which may have conflicts / Types of business	Types and details of transactions	Value of Transactions (Baht)		Reasonable of Issue
		31 DEC 14	31 DEC 15	
<b>Thai Industrial Parts co.,ltd</b> : Produce parts for electrical goods and automobiles by extrusion and colour coating	The Company has taken a short term loan by issuing the promissory notes to Thai Industrial co.ltd with the details as follows; <ul style="list-style-type: none"> <li>- Balance at beginning of period</li> <li>- interest expense</li> <li>- accrued interes</li> </ul>	6,000,000   340,438.35 35,671.23	-  35,671.23 486,027.39 -	The Company has taken a short term loan by issuing the promissory note to Thai Industrial co.ltd with the interest rates of 7% per year with the note number SDT2558/006 at the amount of 2,000,000 Baht, dating 18th September 2015, ending 30th October 2015, note number SDT2558/007 at the amount of 2,000,000 Baht, dating 18th September 2015, ending 30th November 2015, note number SDT2558/008 at the amount of 2,000,000 Baht, dating 18th September 2015, ending 28th December 2015. Later, on 30th October 2015, the Company has paid according to the promissory note number SDT2558/006 at the amount of 2,000,000 Baht, on the 30th November 2015 the Company has paid according to the promissory note number SDT2558/007 at the amount of 2,000,000 Baht and on 28th December 2015, paid in the promissory note number SDT2558/008 at the amount of 2,000,000 Baht. In the 4th quarter of 2015 and 2014, the Company has paid the interest rates to Thai Industrial Parts co.ltd in total of 486,027.39 Baht and 340,438.35 Baht respectively. <u>Notes from the Audit Committee</u> The Audit Committee has reviewed and evaluated the said item and is of the opinion that the short term loan by issuing the promissory note to Thai Industrial co.ltd will be beneficial to the Company and that the interest rates is according to the norm of other financial institutions

Person / Juristic person which may have conflicts / Types of business	Types and details of transactions	Value of Transactions (Baht)		Reasonable of Issue
		31 DEC 14	31 DEC 15	
<b>Thai Industrial Parts co.,ltd</b> : Produce parts for electrical goods and automobiles by extrusion and colour coating	Products sold to Thai Industrial Parts co.,ltd - Initial Balance Installment Sales VAT Installed Payments Remaining Balance	68,398 1,853,901.32 129,773.09 1,887,823.55 216,948.77	216,948.77 1,540,166.54 107,811.66 1,579,392.19 177,723.12	Thai Industrial Parts co.,ltd has employed the company to produce goods and molds as normal while setting the sales price and under the same regulations as any other customers in accordance with inter - company transactions policy. <u>Audit Committee's Opinion</u> The Audit Committee had investigated and evaluated the said item and all agreed that the said item is legitimate and is a normal inter – company transaction with the gross profit being calculated the same way as any other customers.
	The company employs Thai Industrial Parts co.,ltd to coat aluminum parts - Initial Balance Installment Buying VAT Installed Payments Remaining Balance	81,955 312,465.78 21,872.61 394,420.78 -	- - - - -	The company has employed Thai Industrial Parts co.,ltd to coat the aluminum parts that were ordered by Thai industrial Parts co.,ltd with prior arrangements that the price and terms will be the same as regular business. <u>Audit Committee's Opinion</u> The Audit Committee had investigated and evaluated the said item and all agreed that the said Item is legitimate and is a normal transaction which the price has been compared to other companies.
<b>Rica JTW Heat Treatment co.,ltd</b> : Steel Hardening	The company employs Rica JTW Heat Treatment co.,ltd to perform hardening tests on sample parts with heat treatment - Initial Balance Cost during installment VAT Installed Payments Remaining Balance	135,852 717,833.16 50,248.33 781,739.09 122,194.39	122,194.39 771,617.22 54,013.21 797,789.84 96,021.77	The company employs Rica JTW Heat Treatment co.,ltd (formerly known as Jutha Wan Metal Lab co. ltd) to perform hardening tests on sample parts and show it to the customers. The terms, prices and regulations are the same as other business. <u>Audit Committee's Opinion</u> The Audit Committee had investigated and evaluated the said item and all agreed that the said Item is legitimate and is a normal transaction which the price has been compared to other companies.

Person / Juristic person which may have conflicts / Types of business	Types and details of transactions	Value of Transactions (Baht)		Reasonable of Issue
		31 DEC 14	31 DEC 15	
Umphon co.,Ltd : Car Rental Business	The company employs Umphon co.,Ltd to rent cars. - Rental Costs Remaining Balance	1,072,140 -	1,040,040 -	The company has been renting 2 cars to transport staffs and 2 cars as Executive cars from Umphon Co.,Ltd, in total 4 cars. The rental rate is the cheapest compared to other companies in the same business with the same requirements. <u>Audit Committee's Opinion</u> The Audit Committee had investigated and evaluated the said item and all agreed that the said item is adequate and is a normal rental transaction which the prices have already been compared with other companies.
Jutha Wan Metal Lab Co.,Ltd : Steel hardening, grinding and lathing all sorts of metal.				The Company hires Jutha Wan Metal Lab co.,Ltd, for its steel hardening services with the prices and conditions in accordance with the usual trades & services terms and with the 30 days credit. <u>Notes from the Audit Committee</u> The Audit Committee has reviewed and evaluated the said item and is of the opinion that the item is proper and is a normal business transaction with the usual base profits at the same rate as other customers.

## 14.2 Steps of measures required to authorize intercompany transactions

As stated in the 1<sup>st</sup> Board of Directors meeting on the 4<sup>th</sup> February 2010, the steps and measures to authorize intercompany transactions are as follows;

The intercompany transactions, with relating persons or persons which may have conflict of interests, must be in accordance with the general trade regulations or is a business agreement made in the same circumstances that the good person of ordinary prudence would engage in a contract, with trade bargaining power that has no other external influences through the status of Directors, Executives or relating persons (as the case may be), under reasonable and sound conditions, transparent and not causing the transfer of benefits.

### Case 1. Regular trade Intercompany transactions

For example, transactions which involve good and services that the company produces, sells or provides. The company may perform the said transaction with person with conflicts of interests as long as the transaction is under the trade agreements with general conditions that the person or ordinary prudence would engage in the same contract, , with trade bargaining power that has no other external influences through the status of Directors, Executives or relating persons. The company will summarize all of such transactions and present to the Audit Committee and the Board of Directors quarterly.

### Case 2. Any other transactions not categorized in Case 1

The company has appointed the Audit Committee to evaluate and give opinions on the necessity of performing such transaction and the adequacy of the price of the said transaction, by considering all the related terms, whether or not they comply with the regular market trades which can be compared with external prices, fair, reasonable and transparent. In the case that the Audit Committee is not specialized with analyzing the occurred transaction, the company will employ independent experts or company's auditors to give opinion on the said transaction in order to make a better decision for the committee or the shareholders as by case. However, in order to perform an intercompany transaction with the person with conflicts of interests, it must pass the evaluation of the Audit Committee and must be authorized by the Board of Directors where the audit committee member must be present. The directors with the conflict of interests may not vote in such a meeting.

The Board of Directors must make sure that the company acts in accordance with the laws and regulations Securities and Exchange Act. Any enforcements, notices, demands or terms made by the Stock Exchange of Thailand or the Securities and Exchange Commission or the Capital Market Supervisory Board must be followed, including complying with the disclosure of all information relating to the acquisition or dismissal of the company's assets. Moreover, the company must enclose the said intercompany transactions in the remarks of the financial statements as investigated by the company's auditors, in the Form 56-1 and in the annual report or in any other media information as required by the Stock Exchange of Thailand and other relating organizations.



### 14.3 Trends for future intercompany transactions

In the future, the company may continuously engage in intercompany transactions between persons or juristic persons, which is the norm for operating this kind of business. The terms must be according to the regular terms of trade and can be quoted with the same kind of business in other companies. The summary of such transactions will be presented, at least, quarterly to the Audit Committee and the Board of Directors in order to further revise the transactions by comparing the terms and prices with external entities to check the adequacy of the terms and price, evaluating the value of the transaction compared to the overall trading value of the company and the related companies, and inquire the Managing Directors to the reason and the necessity in performing such transactions with relating parties.

As for irregular business transaction that may occur in the future, the company will appoint the Audit Committee to investigate the procedures and reasons for performing such transactions before the company can authorize the transactions. The company will oversee all transactions to be in accordance with the laws and regulations Securities and Exchange Act. Any enforcements, notices, demands or terms made by the Stock Exchange of Thailand and the Securities and Exchange Commission, including the disclosure of all information relating to the acquisition or dismissal of the company's assets (if any) and acting in compliance with the accounting standards as regulated by the Federation of Accounting Profession. However, individuals with conflicts of interest in the said transactions will have no rights to vote for authorization of the said transactions and the company will enclose such transactions in the remarks of the financial statements as investigated by the company's auditors, in the Form 56-1 and in the annual report or in any other media information as required by the Stock Exchange of Thailand and other relating organizations.

## 15. Key Financial Information

### 15.1 FINANCIAL STATEMENT REPORT

SANKO DIECASTING (THAILAND) PUBLIC COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2015

	Note	Baht	
		2015	2014
<b>ASSETS</b>	3		
Current assets			
Cash and cash equivalents	5	25,170,709.39	7,025,645.31
Trade and other receivables	4, 6	46,479,850.08	49,985,286.53
Inventories	7	46,839,402.11	47,204,613.30
Other current assets	8	7,237,135.32	12,715,988.17
Total current assets		125,727,096.90	116,931,533.31
Non-current assets			
Restricted financial institution deposits	9	5,980,000.00	5,980,000.00
Property, plant and equipment	10	187,551,732.06	193,425,964.01
Intangible assets	11	2,107,369.24	2,451,614.23
Deferred tax assets	12	5,423,543.28	11,108,189.15
Other non-current assets		6,026,332.15	5,097,760.55
Total non-current assets		207,088,976.73	218,063,527.94
<b>TOTAL ASSETS</b>		<b>332,816,073.63</b>	<b>334,995,061.25</b>

## SANKO DIECASTING (THAILAND) PUBLIC COMPANY LIMITED

## STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2015

	Note	Baht	
		2015	2014
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>3</b>		
Current liabilities			
Bank overdraft and short-term loans from financial institutions	13	37,676,593.76	56,699,262.38
Trade and other payables	4,14	63,720,668.78	77,856,290.72
Current portion of liabilities	15	10,922,562.41	21,105,325.92
Short-term loans from related parties	4	15,000,000.00	21,000,000.00
Other current liabilities	18	10,706,103.89	20,806,458.25
Total current liabilities		<u>138,025,928.84</u>	<u>197,467,337.27</u>
Non-current liabilities			
Long-term loans from financial institutions	16	1,364,745.19	4,173,864.47
Long-term liability under finance lease	17	8,238,493.43	2,931,106.56
Employee benefit obligations	19	3,942,145.72	2,991,186.20
Total non-current liabilities		<u>13,545,384.34</u>	<u>10,096,157.23</u>
<b>Total liabilities</b>		<u><b>151,571,313.18</b></u>	<u><b>207,563,494.50</b></u>

## SHAREHOLDERS' EQUITY

Share capital	20		
Authorized share capital			
Authorized 300,681,625 ordinary shares in year 2015 and			
2015 and			
Authorized 226,000,000 ordinary shares in year 2014 Baht			
0.50 par value		150,340,812.50	113,000,000.00
Issued and paid-up share capital	21		
297,807,944 ordinary shares, in year 2015 and			
222,277,158 ordinary shares, in year 2014, fully			
paid-up		148,903,972.00	111,138,579.00
Premium on share capital	20,21	52,870,818.28	32,406,239.58
Warrants	21	109,526.53	1,152,757.16
Retained earnings (deficits)			
Appropriated to legal reserve	25	2,215,417.96	2,215,417.96
Unappropriated		(22,854,974.32)	(19,481,426.95)
Total shareholders' equity		181,244,760.45	127,431,566.75
TOTAL LIABILITIES AND SHAREHOLDERS'			
EQUITY		332,816,073.63	334,995,061.25

SANKO DIECASTING (THAILAND) PUBLIC COMPANY LIMITED  
 STATEMENT OF COMPREHENSIVE INCOME  
 FOR THE YEAR ENDED DECEMBER 31, 2015

	Note	2558	2557
	3		
Revenue from sales	4	420,505,298.25	356,887,798.03
Cost of sales	4, 22	(352,444,987.91)	(321,499,639.40)
Gross profit		68,060,310.34	35,388,158.63
Other income		6,451,235.35	7,605,121.78
Selling expenses	22	(7,174,572.09)	(7,255,874.40)
Administrative expenses	4, 22	(57,447,396.83)	(49,609,904.30)
Finance costs	4, 23	(7,270,766.27)	(8,029,726.80)
Profit (loss) before income tax		2,618,810.50	(21,902,225.09)
Tax income(expense)	24	(5,746,188.27)	5,496,219.94
Loss for the year		(3,127,377.77)	(16,406,005.15)
Other comprehensive loss:			
	2		
Items that will never be reclassified to profit or loss			
Defined benefit plan actuarial losses		(307,712.00)	-
Income tax relating to defined benefit plan actuarial losses		61,542.40	-
Other comprehensive loss for the year - net of tax		(246,169.60)	-
Total comprehensive loss for the year		(3,373,547.37)	(16,406,005.15)
Loss per share			
Basic loss per share	3	(0.012)	(0.074)
Weighted average number of ordinary shares (shares)	3	252,325,969	221,004,298

## SANKO DIECASTING (THAILAND) PUBLIC COMPANY LIMITED

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31,

2015

		Baht					
		Issued and paid- up share capital	Premium on share capital	Warrants	Retained earnings (deficits)		
Note					Appropriated	Unappropriated	Total
Beginning balance as at January 1, 2014		110,362,391.50	30,984,616.08	482,417.60	2,215,417.96	(3,075,421.80)	140,969,421.34
Changes in shareholders' equity							
Increase in ordinary shares		776,187.50	1,421,623.50	-	-	-	2,197,811.00
Warrants		-	-	670,339.56	-	-	670,339.56
Loss for the year		-	-	-	-	(16,406,005.15)	(16,406,005.15)
Ending balance as at December 31, 2014		111,138,579.00	32,406,239.58	1,152,757.16	2,215,417.96	(19,481,426.95)	127,431,566.75
Changes in shareholders' equity							
Increase in ordinary shares		37,765,393.00	20,464,578.70	(2,315,557.20)	-	-	55,914,414.50
Warrants		-	-	1,272,326.57	-	-	1,272,326.57
Loss for the year		-	-	-	-	(3,127,377.77)	(3,127,377.77)
Other comprehensive loss for the year		-	-	-	-	(246,169.60)	(246,169.60)
Ending balance as at December 31, 2015		148,903,972.00	52,870,818.28	109,526.53	2,215,417.96	(22,854,974.32)	181,244,760.45

## SANKO DIECASTING (THAILAND) PUBLIC COMPANY LIMITED

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2015

	Baht	
	2558	2557
<b>Cash flows from operating activities</b>		
Profit (loss) before income tax	2,618,810.50	(21,902,225.09)
Adjustments to reconcile profit (loss) before income tax to net cash provided by (used in) operating activities		
Depreciation and amortization	27,368,962.84	26,149,601.24
(Gain) loss on sales and written off of assets	992,699.95	(377,086.89)
(Gain) loss on sales and written off of assets	(2,088,175.61)	1,881,424.79
Loss from impairment of assets	-	361,958.15
Provision incurred from employee benefit obligations	643,247.52	143,391.84
Expense incurred from issuing of warrants	1,272,326.57	670,339.56
Interest income	(129,334.56)	(139,929.27)
Interest expenses	6,764,454.88	7,028,340.65
Profit from operating activities before changes in operating assets and liabilities	37,442,992.09	13,815,814.98
Changes in operating assets (increase) decrease		
Trade and other receivables	3,496,237.45	1,613,766.09
Inventories	2,453,386.80	(7,921,442.33)
Other current assets	6,466,063.13	(2,271,104.29)
Other non-current assets	(2,000.00)	5,500.00
Changes in operating liabilities increase (decrease)		
Trade and other payables	(14,095,281.69)	(2,321,987.79)
Other current liabilities	(10,100,354.36)	12,604,585.86
Cash generated from operations	25,661,043.42	15,525,132.52
Interest received	138,533.56	139,929.27
Income tax paid	(926,571.60)	(1,861,020.59)
<b>Net cash provided by operating activities</b>	<b>24,873,005.38</b>	<b>13,804,041.20</b>

## SANKO DIECASTING (THAILAND) PUBLIC COMPANY LIMITED

## STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED DECEMBER 31, 2015

	Baht	
	2558	2557
<b>Cash flows from investing activities</b>		
Decrease in restricted financial institution deposits	-	1,000.00
Purchases of building and equipment	(15,807,915.15)	(19,129,021.00)
Purchases of intangible assets	(162,000.00)	(162,000.00)
Sales of equipment	6,729.30	1,542.00
<b>Net cash used in investing activities</b>	<b>(15,963,185.85)</b>	<b>(18,788,479.00)</b>
<b>Cash flows from financing activities</b>		
Decrease in bank overdraft and short-term loans from financial institutions	(19,022,668.62)	(4,366,628.97)
Increase in short-term loans from related parties	-	23,500,000.00
Repayments of short-term loans from related parties	(6,000,000.00)	(2,500,000.00)
Repayments of loans from financial institutions	(12,439,157.13)	(11,977,077.16)
Proceeds from sale and leaseback agreement	9,648,247.92	4,598,376.80
Repayments of liability under finance lease	(12,060,796.99)	(13,120,260.85)
Proceeds from increase in ordinary shares	55,914,414.50	2,197,811.00
Interest paid	(6,804,795.13)	(7,205,116.65)
<b>Net cash provided by (used in) financing activities</b>	<b>9,235,244.55</b>	<b>(8,872,895.83)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>18,145,064.08</b>	<b>(13,857,333.63)</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>7,025,645.31</b>	<b>20,882,978.94</b>
<b>Cash and cash equivalents at end of the year</b>	<b>25,170,709.39</b>	<b>7,025,645.31</b>

Non - cash items

For the years 2015 and 2014

The Company entered into the sale and lease back agreement of machinery

- (see Notes 10 and 17)



## SANKO DIECASTING (THAILAND) PUBLIC COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2015

**1. GENERAL INFORMATION**

Sanko Diecasting (Thailand) Public Company Limited (“the Company”) was registered under the Civil and Commercial Code on January 22, 1996. The principal activities of the Company involve manufacture exhaust system and manufacture tooling. The Company’s registered office is located at 3/14 Moo. 2, Tambol Nongbua, Amphur Bankhai, Rayong Province, Thailand.

On May 9, 2013, the Company was listed on the Stock Exchange of Thailand in the “Market for Alternative Investment” (mai).

**2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS**

The accompanying financial statements are prepared in accordance with Thai Financial Reporting Standards (“TFRS”) including related interpretations and guidelines promulgated by the Federation of Accounting Professions (“FAP”) in conformity with generally accepted accounting principles in Thailand.

The presentation of the financial statements has been made in compliance with the stipulations of the Notification of the Department of Business Development dated September 28, 2011, issued under the Accounting Act B.E. 2543.

The accompanying financial statements have been prepared in the Thai language and expressed in Thai Baht. Such financial statements have been prepared for domestic reporting purposes. For the convenience of the readers not conversant with the Thai language, an English version of the financial statements has been provided by translating from the Thai version of the financial statements.

The preparation of the financial statements in conformity with Thai Financial Reporting Standards (“TFRS”) requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying amounts of assets and liabilities that are not readily apparent from other sources. Subsequent actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, and in the period of the revision and future periods, if the revision affects both current and future periods.

### Adoption of New Thai Financial Reporting Standards

FAP has issued Notifications, mandating the use of new and revised Conceptual Framework for Financial Reporting (revised 2015), Thai Accounting Standards (“TAS”), TFRS, Thai Standard Interpretations (“TSIC”) and Thai Financial Reporting Interpretations (“TFRIC”) as follows:

- a) Conceptual Framework for Financial Reporting (revised 2015) which is immediately effective for the year 2015.
- b) TAS, TFRS, TSIC and TFRIC which are effective for the financial statements for the period beginning on or after January 1, 2015 as follows:

TAS/TFRS/TSIC/TFRIC	Topic
TAS 1 (revised 2014)	Presentation of Financial Statements
TAS 2 (revised 2014)	Inventories
TAS 7 (revised 2014)	Statement of Cash Flows
TAS 8 (revised 2014)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2014)	Events after the Reporting Period
TAS 11 (revised 2014)	Construction Contracts
TAS 12 (revised 2014)	Income Taxes
TAS 16 (revised 2014)	Property, Plant and Equipment
TAS 17 (revised 2014)	Leases
TAS 18 (revised 2014)	Revenue
TAS 19 (revised 2014)	Employee Benefits
TAS 20 (revised 2014)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (revised 2014)	The Effects of Changes in Foreign Exchange Rates
TAS 23 (revised 2014)	Borrowing Costs
TAS 24 (revised 2014)	Related Party Disclosures
TAS 26 (revised 2014)	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2014)	Separate Financial Statements
TAS 28 (revised 2014)	Investments in Associates and Joint Ventures
TAS 29 (revised 2014)	Financial Reporting in Hyperinflationary Economies
TAS 33 (revised 2014)	Earnings per Share
TAS 34 (revised 2014)	Interim Financial Reporting
TAS 36 (revised 2014)	Impairment of Asset
TAS 37 (revised 2014)	Provisions, Contingent Liabilities and Contingent

TAS/TFRS/TSIC/TFRIC	Topic
	Assets
TAS 38 (revised 2014)	Intangible Assets
TAS 40 (revised 2014)	Investment Property
TFRS 2 (revised 2014)	Share-based Payment
TFRS 3 (revised 2014)	Business Combinations
TFRS 5 (revised 2014)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6 (revised 2014)	Exploration for and Evaluation of Mineral Resources
TFRS 8 (revised 2014)	Operating Segments
TFRS 10	Consolidated Financial Statements
TFRS 11	Joint Arrangements
TFRS 12	Disclosure of Interests in Other Entities
TFRS 13	Fair Value Measurement
TSIC 10 (revised 2014)	Government Assistance - No specific Relation to Operating Activities
TSIC 15 (revised 2014)	Operating Leases - Incentives
TSIC 25 (revised 2014)	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders
TSIC 27 (revised 2014)	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
TSIC 29 (revised 2014)	Service Concession Arrangements: Disclosures
TSIC 31 (revised 2014)	Revenue - Barter Transactions Involving Advertising Services
TSIC 32 (revised 2014)	Intangible Assets - Web Site Costs
TFRIC 1 (revised 2014)	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 4 (revised 2014)	Determining whether an Arrangement contains a Lease
TFRIC 5 (revised 2014)	Rights to Interests arising from Decommission, Restoration and Environmental Rehabilitation Funds
TFRIC 7 (revised 2014)	Applying the Restatement Approach under TAS 29 (revised 2014) Financial Reporting in Hyperinflationary Economies

TAS/TFRS/TSIC/TFRIC	Topic
TFRIC 10 (revised 2014)	Interim Financial Reporting and Impairment
TFRIC 12 (revised 2014)	Service Concession Arrangements
TFRIC 13 (revised 2014)	Customer Loyalty Programmes
TFRIC 14	TAS 19 (revised 2014) - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
TFRIC 15 (revised 2014)	Agreements for the Construction of Real Estate
TFRIC 17 (revised 2014)	Distributions of Non-cash Assets to Owners
TFRIC 18 (revised 2014)	Transfers of Assets from Customers
TFRIC 20	Stripping Costs in the Production Phase of a Surface Mine

During the year, the Company has adopted Conceptual Framework for Financial Reporting (revised 2015), new and revised TFRS which are effective for the accounting period beginning on or after January 1, 2015. These Conceptual Framework for Financial Reporting (revised 2015) and TFRS 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 Conceptual Framework for Financial Reporting (revised 2015) and TFRS does not have any significant impact on the financial statements of the Company, except TFRS as follows:

**TAS 1 (revised 2014) Presentation of financial statements**

The key change is that the Company is required presented in “Other Comprehensive Income” on the basis of whether they are potentially reclassifiable to profit or loss subsequently. This standard will only impact the Company presentation of other comprehensive income items in the statement of comprehensive income of the Company.

**TAS 19 (revised 2014) Employee benefits**

This revised standard requires that the Company recognizes actuarial gains and losses immediately in other comprehensive income while the existing standard allows the Company to recognize such gains and losses immediately in either profit or loss or other comprehensive income, or to recognize them gradually in profit or loss. The Company's management has assessed the effects of such changes presented in the statement of comprehensive income for the year ended December 31, 2015 as follows:

	Baht
<b>Statement of comprehensive income</b>	
Decrease in cost of sales	133,692.86
Decrease in administrative expenses	174,018.14
Increase in income tax expenses	(61,542.40)
Decrease in loss for the year	246,168.60
Decrease in basic loss per share	0.001
<b>Other comprehensive loss</b>	
<b>Items that will never be reclassified to profit or loss</b>	
Defined benefit plan actuarial losses	(307,712.00)
Income tax relating to defined benefit plan actuarial losses	61,542.40
Other comprehensive loss for the year - net of tax	<u>(246,169.60)</u>

#### **New and revised Thai Financial Reporting Standards not yet effective**

During the year 2015, FAP has issued Notifications, mandating the use of new and revised TAS, TFRS, TSIC, TFRIC and accounting guidance (“AG”) as follows:

TAS, TFRS, TSIC, TFRIC and AG which are effective for the financial statements for the period beginning on or after January 1, 2016 as follows:

TAS/TFRS/TSIC/TFRIC/AG	Topic
TAS 1 (revised 2015)	Presentation of Financial Statements
TAS 2 (revised 2015)	Inventories
TAS 7 (revised 2015)	Statement of Cash Flows
TAS 8 (revised 2015)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2015)	Events after the Reporting Period
TAS 11 (revised 2015)	Construction Contracts
TAS 12 (revised 2015)	Income Taxes
TAS 16 (revised 2015)	Property, Plant and Equipment
TAS 17 (revised 2015)	Leases
TAS 18 (revised 2015)	Revenue
TAS 19 (revised 2015)	Employee Benefits
TAS 20 (revised 2015)	Accounting for Government Grants and Disclosure of Government Assistance

TAS/TFRS/TSIC/TFRIC/AG	Topic
TAS 21 (revised 2015)	The Effects of Changes in Foreign Exchange Rates
TAS 23 (revised 2015)	Borrowing Costs
TAS 24 (revised 2015)	Related Party Disclosures
TAS 26 (revised 2015)	Accounting and Reporting by Retirement Benefit Plans
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TAS 29 (revised 2015)	Financial Reporting in Hyperinflationary Economies
TAS 33 (revised 2015)	Earnings per Share
TAS 34 (revised 2015)	Interim Financial Reporting
TAS 36 (revised 2015)	Impairment of Asset
TAS 37 (revised 2015)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2015)	Intangible Assets
TAS 40 (revised 2015)	Investment Property
TAS 41	Agriculture
TFRS 2 (revised 2015)	Share-based Payment
TFRS 3 (revised 2015)	Business Combinations
TFRS 4 (revised 2015)	Insurance Contracts
TFRS 5 (revised 2015)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6 (revised 2015)	Exploration for and Evaluation of Mineral Resources
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TFRS 10 (revised 2015)	Consolidated Financial Statements
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TAS/TFRS/TSIC/TFRIC/AG	Topic
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TFRIC 5 (revised 2015)	Rights to Interests arising from Decommission, Restoration and Environmental Rehabilitation Funds
TFRIC 7 (revised 2015)	Applying the Restatement Approach under TAS 29 (revised 2015) Financial Reporting in Hyperinflationary Economies
TFRIC 10 (revised 2015)	Interim Financial Reporting and Impairment
TFRIC 12 (revised 2015)	Service Concession Arrangements
TFRIC 13 (revised 2015)	Customer Loyalty Programmes
TFRIC 14 (revised 2015)	TAS 19 (revised 2015) - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
TFRIC 15 (revised 2015)	Agreements for the Construction of Real Estate
TFRIC 17 (revised 2015)	Distributions of Non-cash Assets to Owners
TFRIC 18 (revised 2015)	Transfers of Assets from Customers
TFRIC 20 (revised 2015)	Stripping Costs in the Production Phase of a Surface Mine
TFRIC 21	Levies

Accounting guidance for the measurement and recognition of bearer plants

The management of the Company is assessing the impacts of these TFRS on the financial statements for the year in which they are initially applied.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### The measurement bases used in preparing the financial statements

Other than those disclosed elsewhere in the summary of significant accounting policies and other notes to the financial statements, the financial statements are prepared on the historical cost basis.

**Revenues**

## Sale of goods

Revenue is recognized in the statements of comprehensive income when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognized if there is continuing management involvement with the goods or there are significant uncertainties regarding recovery of the consideration due, associated costs or the probable return of goods.

## Interest income

Interest income is recognized as interest accrues, based on the effective rate method.

Other income is recognized on an accrual basis.

**Expenses**

## Operating leases

Payments made under operating leases are recognized in the statements of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognized in the statements of comprehensive income as an integral part of the total lease payments made. Contingent rentals are charged to the statements of comprehensive income in the accounting period in which they are incurred.

## Finance Cost

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.

The interest component of finance lease payments is recognized in the statements of comprehensive income using the effective interest rate method.

Expenses are recognized on an accrual basis.

**Employee benefits**

## Short-term benefits

The Company recognizes salaries, wages, bonus and social security contribution as expenses when incurred.

## Post-employment benefits – defined contribution plan

The Company operates a provident fund that is a defined contribution plan. The assets of which are held in a separate trust fund. The provident fund is funded by payments from employees and the Company. Contributions to the provident fund are charged to the statement of comprehensive income in the period to which they relate.

## Post-employment benefits – defined benefit plan



The employee benefits obligations in relation to the severance payment under the labor law is recognised as a charge to results of operations over the employee's service period. It is calculated by the estimation of the amount of future benefit to be earned by the employee in return for the service provided to the Company through the service period up to the retirement age and the amount is discounted to determine the present value. The reference discount rate is the yield rate of government bonds as at the reporting date. The calculation is based on the actuarial technique using the Projected Unit Credit Method.

When the employee benefits are improved, the portion of the increased benefit relating to past service rendered by employee is recognized in the statements of comprehensive income on a straight-line basis over the average period until the benefits become vested.

When the actuarial assumptions are changed, the Company recognizes all actuarial gains (losses) immediately in other comprehensive income.

#### Termination benefits

The Company recognizes termination benefits as a liability and expense when the Company terminates the employment of an employee or group of employees before the normal retirement date.

#### Income tax

Income tax expense for the year comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised directly in shareholders' equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the end of reporting period date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, using tax rates enacted or substantively enacted at the end of reporting period date.

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change their judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized. Deferred tax assets are reviewed at the end of reporting period date and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

#### **Cash and cash equivalents**

Cash and cash equivalents are cash on hand, current deposits and savings deposits, cash at bank with an original maturity of 3 months and short-term investments with high liquidity excluded deposits at bank on obligation.

#### **Trade and other receivables**

Trade and other receivables are stated at their invoice value less allowance for doubtful accounts. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experiences and analysis of debtor aging. In determining an allowance for doubtful accounts, the management needs to make judgment for estimated losses for each outstanding debtor. The allowances for doubtful accounts are determined through a combination of analysis of debt aging, collection experience, and taking into account change in the current economic conditions. However, the use of different estimates and assumptions could affect the amounts of allowances for receivable losses and adjustments to the allowances may therefore be required in the future.

#### **Inventories**

The Company values its inventories at the lower of cost and net realizable value. Cost is calculated as follows;

Finished goods and work in process - at average cost

Raw materials and spare parts - first in - first out

Cost comprises all costs of purchases, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories, cost includes an appropriate share of overhead based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business less the costs to make the sale.

An allowance is made for all deteriorated, damaged, obsolete and slow-moving inventories.

**Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and allowance for impairment (if any).

**Depreciation**

Depreciation is computed by using the straight-line method over their estimated useful lives as follows:

Type of assets	Years
Building and building improvement	5 - 30
Machinery and factory equipment	5 - 20
Furniture and office equipment	5

Depreciation of mould is computed on cost by using a number of actual production compare with estimated total production over the useful lives of mould.

Depreciation is included in determining income and no depreciation is provided on land and assets under installation.

Repairs and maintenance are charged to the statements of comprehensive income during the financial years in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits will be more than one period. Major renovations are depreciated over the remaining useful life of the related asset.

Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are included in the statement of comprehensive income.

**Intangible assets**

Intangible assets are stated at cost less accumulated amortization and allowance for impairment (if any).

**Amortization**

Amortization is charged to the statement of comprehensive income on a straight-line basis from the date that intangible assets are available for use over the estimated useful lives of the assets. The estimated useful lives are the period of 5 years.

Amortization is included in determining income and no amortization charge for the computer software under installation.

**Computer software**

Costs associated with developing or maintaining computer software program are recognized as an expense as incurred. Costs that are directly associated with identifiable and unique software products controlled by the Company and will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Direct costs include staff costs of the software development team and an appropriate portion of relevant overheads.

Expenditures which enhance or extend the performance of computer software programmed beyond their original specifications is recognized as a capital improvement and added to the original cost of the software.

Repairs and maintenance are charged to the statements of comprehensive income during the financial years in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits will be more than one period. Major renovations are amortized over the remaining useful life of the related asset.

Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are included in the related statements of comprehensive income.

#### **Impairment of assets**

The carrying amounts of the Company's assets are reviewed at the dated of the statement of financial position to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognized in the statements of comprehensive income.

#### **Calculation of recoverable amount**

The recoverable amount is the greater of the assets' fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

#### **Reversals of impairment**

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

#### **Finance lease**

Leases of property, plant or equipment which substantially transfer all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated to the principal and to the finance costs so as to achieve a constant rate on the finance balance outstanding. The outstanding rental obligations, net of finance costs, are included in

other long-term payables. The interest element of the finance cost is charged to the statements of comprehensive income over the lease period. The property, plant or equipment acquired under finance leasing contract is depreciated over the shorter of the useful life of the asset or the lease term.

#### **Foreign currencies**

##### Foreign currency transactions

Transactions in foreign currencies are converted at the foreign exchange rates ruling at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the date of the statement of financial position are converted to Thai Baht at the foreign exchange rates ruling at that date.

Gain or loss upon conversion is included in the statements of comprehensive income.

#### **Provisions**

A provision is recognized in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

#### **Share-based payment**

The employee share option programme allows certain of the Company's directors and employees to acquire shares of the Company under certain conditions. The proceeds received on exercise of the options, net of any directly attributable transaction costs, are credited to share capital and share premium when the options are exercised.

The grant-date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in shareholders' equity, over the period that the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met.

#### **Dividends**

Dividend and interim dividend payment are recorded in the period in which they are approved by Shareholders' meeting and Board of Directors' meeting.

#### **Share premium**

Section 51 of the Public Limited Companies Act B.E. 2535 requires companies to set aside share subscriptions received in excess of the par value of the shares issued to a reserve account ("share premium"). Share premium is not available for dividend distribution.

#### **Basic loss per share**

Basic loss per share is calculated by dividing loss for the year by the weighted average number of ordinary shares outstanding during the years as follows:

For the years ended December 31, 2015 and 2014

	2015	2014
Loss for the year (Baht)	(3,127,377.77)	(16,406,005.15)
<b>Weighted average number of ordinary shares (shares)</b>		
Issued ordinary shares at the beginning of the year	222,277,158	220,724,783
Effect of shares issued during the year	30,048,811	279,515
Weighted average number of ordinary shares (shares)	<u>252,325,969</u>	<u>221,004,298</u>
Basic loss per shares (Baht)	<u>(0.012)</u>	<u>(0.074)</u>

#### Diluted loss per share

Diluted loss per shares for the years ended December 31, 2015 and 2014 is calculated by dividing the loss of ordinary shareholders by the sum of the weighted average number of ordinary shares outstanding during the years plus the weighted average number of shares to be issued for the exercise of all dilutive potential ordinary shares into ordinary shares, without any consideration. The calculation assumes that the holders will exercise dilutive potential ordinary share into ordinary shares when the exercise price is lower than fair value of ordinary shares. However, the Company does not calculate the diluted loss per share for the years ended December 31, 2015 and 2014, because potential ordinary shares are antidilutive.

#### 4. TRANSACTIONS WITH RELATED PARTIES

The Company has transactions with related parties. These parties are related through common shareholders and/or directorships or a close family member. Transactions with related parties as included in the financial statements are determined at the prices in line occurring in the normal course of business based on the market price in general or the price as stipulated in the agreement if no market price exists.

The significant balances of assets, liabilities, and other transactions that occurred with those parties are shown as follows:

Transactions with related parties for the years ended December 31, 2015 and 2014 were as follows:

	Baht	
	2015	2014
<b>Revenue from sales</b>		
Thai Industrial Parts Ltd.	1,540,166.54	1,853,901.32
<b>Purchase of goods and services</b>		
Thai Industrial Parts Ltd.	-	312,465.79
Rika JTW Heat Treatment Co.,Ltd.	771,617.22	717,833.16
<b>Rental and service expenses</b>		
Umphon Co., Ltd.	1,040,040.00	1,072,140.00
<b>Fee</b>		
Thai Industrial Parts Ltd.	253,150.69	350,000.01
Juthawan Co., Ltd.	253,150.70	350,000.01
<b>Consulting fee</b>		
Director	738,000.00	300,000.00
<b>Interest expense</b>		
Thai Industrial Parts Ltd.	486,027.39	340,438.35
JTW Asset Co., Ltd.	900,000.02	86,301.37
Director	7,945.21	17,260.27

The significant balances of assets and liabilities with related parties as at December 31, 2015 and 2014 were as follows:

	Baht	
	2015	2014
<b>Trade receivables</b>		
Thai Industrial Parts Ltd.	177,723.12	216,948.77
<b>Trade and other payables</b>		
Rika JTW Heat Treatment Co.,Ltd.	187,394.61	122,194.39
<b>Accrued expenses</b>		
Thai Industrial Parts Ltd.	-	29,726.03
Juthawan Co., Ltd.	-	29,726.03
Director	600,000.00	99,000.00
<b>Short-term loans and accrued interest expense</b>		
Thai Industrial Parts Ltd.		
Loans	-	6,000,000.00
Accrued interest expense	-	35,671.23
JTW Asset Co.,Ltd.		
Loans	15,000,000.00	15,000,000.00
Accrued interest expense	-	86,301.37

**Short-term loans from related parties**

Movements of short-term loans from related parties for the years ended December 31, 2015 and 2014 were as follows:

	Baht	
	2015	2014
Beginning balance	21,000,000.00	-
Increase	-	23,500,000.00
Decrease	(6,000,000.00)	(2,500,000.00)
Ending balance	15,000,000.00	21,000,000.00

The Company had short-term loans from related parties by issuing promissory notes, the term of 3 months with interest charged at the rate referred to the loan from financial institutions and unsecured.

**Guarantee**

Thai Industrial Parts Ltd. and Juthawan Co., Ltd. have guaranteed for credit facilities of the Company with compensation fee at 2 percent per annum of credit facilities. On September 22, 2015, such related companies revoked guarantees for the credit facilities of the Company (see Note 13).

**Key management personnel compensation**

Key management personnel compensation for the years ended December 31, 2015 and 2014 consisted of:

	Baht	
	2015	2014
Short-term benefits	13,074,780.00	9,620,635.33
Post-employment benefits	246,867.46	209,601.04
Total	13,321,647.46	9,830,236.37

**Directors' remuneration**

Directors' remuneration represents benefits paid to the directors of the Company in accordance with Section 90 of the Public Company Limited Act, exclusive of salaries and related benefit payable to directors who hold executive positions.

For the years ended December 31, 2015 and 2014, the Company paid directors' remuneration in the amount of Baht 0.41 million and Baht 0.49 million, respectively.



**Nature of relationship**

Company	Country	Relation	Type of relation
Thai Industrial Parts Ltd.	Thailand	Related company	Shareholder of the Company and common director
Juthawan Co., Ltd.	Thailand	Related company	Common shareholder
Umphon Co., Ltd.	Thailand	Related company	Common shareholder
Rika JTW Heat Treatment Co., Ltd.	Thailand	Related company	Common shareholder
JTW Asset Co., Ltd.	Thailand	Related company	Common shareholder

**Bases of measurement for intercompany revenues and expenses**

	Pricing policies
Purchase and sale of goods and service	Market price comparable to the selling price with third parties
Administrative expenses	Stipulate in the agreement
Interest expenses	Referred to the commercial bank's interest rate

**5. ASH AND CASH EQUIVALENTS**

Cash and cash equivalents as at December 31, 2015 and 2014 consisted of:

	Baht	
	2015	2014
Cash on hand	85,730.36	128,455.11
Cash at banks	25,084,979.03	84,837,424.26
Total	25,170,709.39	84,965,879.37
<b>Less</b> Money incorrectly transfer	-	(87,926,236.78)
<b>Add</b> Withdrawal from money incorrectly transfer (see Note 14)	-	9,986,002.72
Ending balance	25,170,709.39	7,025,645.31

On December 25, 2014, other company (customer) incorrectly transferred money into bank account of the Company in the amount of Baht 87.93 million. Subsequently, on January 7, 2015, the Company has fully transferred this amount to the above company.

## 6. TRADE AND OTHER RECEIVABLES

Trade and other receivables as at December 31, 2015 and 2014 consisted of:

	Baht	
	2015	2014
Trade receivables	45,581,782.10	48,844,113.47
Other receivables		
Accrued income	-	253,199.00
Other receivables	1,353,286.96	1,343,193.04
Total	1,353,286.96	1,596,392.04
<b>Less</b> Allowance for doubtful accounts	(455,218.98)	(455,218.98)
Other receivables - net	898,067.98	1,141,173.06
Trade and other receivables - net	46,479,850.08	49,985,286.53

As at December 31, 2015 and 2014, the Company had outstanding balances of trade receivables aged by number of months as follows:

	Baht	
	2015	2014
Trade receivables		
Current	39,782,438.55	43,508,403.35
Overdue		
Less than 3 months	5,306,812.77	4,855,037.72
Over 3 months	492,530.78	480,672.40
Total	45,581,782.10	48,844,113.47

## 7. INVENTORIES

Inventories as at December 31, 2015 and 2014 consisted of:

	Baht	
	2015	2014
Finished goods	22,754,300.73	19,001,911.39
Work in process	18,504,914.89	25,573,228.01
Raw materials	2,633,415.39	1,913,071.26
Spare parts	3,962,314.49	3,820,121.64
Total	47,854,945.50	50,308,332.30
<b>Less</b> Allowance for devaluation of inventories	(1,015,543.39)	(3,103,719.00)
Inventories - net	46,839,402.11	47,204,613.30

Movements of allowance for devaluation of inventories for the years ended December 31, 2015 and 2014 were as follows:

	Baht	
	2015	2014
Beginning balance	3,103,719.00	1,222,294.21
<b>Add</b> Loss from devaluation of inventories	-	1,881,424.79
<b>Less</b> Reversal loss from devaluation of inventories	(2,088,175.61)	-
Ending balance	1,015,543.39	3,103,719.00

## 8. OTHER CURRENT ASSETS

Other current assets as at December 31, 2015 and 2014 consisted of:

	Baht	
	2015	2014
Advance to suppliers	5,270,600.00	11,089,400.00
Refundable and waiting for tax invoice value added tax	1,637,604.90	1,352,133.10
Prepaid expenses	328,930.42	274,455.07
Total	7,237,135.32	12,715,988.17

## 9. RESTRICTED FINANCIAL INSTITUTION DEPOSITS

As at December 31, 2015 and 2014, restricted financial institution deposits were shown as follows:

Financial institution	Financial institution deposits	Guarantee for	Note	Baht	
				2015	2014
No. 1	Fixed deposit	Electricity Purchase construction materials	29.2	2,230,000.00	2,230,000.00
No. 2	Fixed deposit	Loan	13	3,750,000.00	3,750,000.00
Total				5,980,000.00	5,980,000.00

## 10. PROPERTY, PLANT AND EQUIPMENT

Movement of property, plant and equipment for the years ended December 31, 2015 and 2014 consisted of:

	Baht						Total
	Land	Building and building improvement	Machinery and factory equipment	Furniture and office equipment	Vehicles	Assets under installation	
<b>At cost</b>							
Balance as at January 1, 2014	17,440,780.68	84,669,126.86	265,643,662.47	12,227,633.61	1,714,710.09	294,693.00	381,990,606.71
Purchases/ Transfer in	10,461,488.00	558,852.00	18,685,306.29	484,982.98	420,000.00	545,062.00	31,155,691.27
Disposals/ Transfer out	-	-	(10,979,127.00)	(76,519.00)	-	(568,680.00)	(11,624,326.00)
Balance as at December 31, 2014	27,902,268.68	85,227,978.86	273,349,841.76	12,636,097.59	2,134,710.09	271,075.00	401,521,971.98
Purchases/ Transfer in	-	966,978.00	19,418,056.19	881,027.96	-	7,785,347.00	29,051,409.15
Disposals/ Transfer out	-	-	(586,912.00)	(84,505.60)	-	(6,523,322.00)	(7,194,739.60)
Balance as at December 31, 2015	27,902,268.68	86,194,956.86	292,180,985.95	13,432,619.95	2,134,710.09	1,533,100.00	423,378,641.53
<b>Accumulated depreciation</b>							
Balance as at January 1, 2014	-	29,159,802.29	146,338,463.81	6,824,350.66	1,081,999.64	-	183,404,616.40
Depreciation	-	2,933,761.72	20,522,503.41	1,956,010.17	176,051.36	-	25,588,326.66
Disposals/ Transfer out	-	-	(4,943,972.53)	(73,247.34)	-	-	(5,017,219.87)
Balance as at December 31, 2014	-	32,093,564.01	161,916,994.69	8,707,113.49	1,258,051.00	-	203,975,723.19
Depreciation	-	3,008,418.60	21,879,209.79	1,791,385.10	183,704.37	-	26,862,717.86
Adjust	-	-	980,284.22	-	-	-	980,284.22
Disposals/ Transfer out	-	-	(40,354.37)	(71,746.21)	-	-	(112,100.58)
Balance as at December 31, 2015	-	35,101,982.61	184,736,134.33	10,426,752.38	1,441,755.37	-	231,706,624.69

	Baht						Total
	Land	Building and building improvement	Machinery and factory equipment	Furniture and office equipment	Vehicles	Assets under installation	
<b>Impairment of assets</b>							
Balance as at January 1, 2014	-	-	3,758,326.63	-	-	-	3,758,326.63
<b>Add</b> Loss from impairment of assets	-	-	361,958.15	-	-	-	361,958.15
Disposal/ Transfers out	-	-	-	-	-	-	-
Balance as at December 31, 2014	-	-	4,120,284.78	-	-	-	4,120,284.78
<b>Add</b> Loss from impairment of assets	-	-	-	-	-	-	-
Disposal/ Transfers out	-	-	-	-	-	-	-
Balance as at December 31, 2015	-	-	4,120,284.78	-	-	-	4,120,284.78
<b>Net book value</b>							
Owned assets	27,902,268.68	53,134,414.85	72,314,236.61	3,224,803.55	239,543.15	271,075.00	157,086,341.84
Assets under finance leases	-	-	34,998,325.68	704,180.55	637,115.94	-	36,339,622.17
Balance as at December 31, 2014	27,902,268.68	53,134,414.85	107,312,562.29	3,928,984.10	876,659.09	271,075.00	193,425,964.01
Owned assets	27,902,268.68	51,092,974.25	66,143,531.03	2,902,912.98	398,609.22	1,533,100.00	149,973,396.16
Assets under finance leases	-	-	37,181,035.81	102,954.59	294,345.50	-	37,578,335.90
Balance as at December 31, 2015	27,902,268.68	51,092,974.25	103,324,566.84	3,005,867.57	692,954.72	1,533,100.00	187,551,732.06

	Millions Baht	
	2015	2014
Depreciation for the years ended December 31		
was included in		
Cost of sales	24.99	23.54
Administrative expenses	1.87	2.05
Total	26.86	25.59

	As at December 31, 2015			
	Lessor	Period	Rent per month (Million Baht)	Note
Space and equipment rental	Third party	2 - 4 years	0.02	Can be renewing
Lease for vehicle	Third party	1 - 4 years	0.33	the contract if
Lease for factory equipment	Third party	3 - 4 years	0.09	expired

In 2015, The Company entered into the sale and leaseback agreement for machinery at book value in the amount of Baht 21.67 million (year 2014: Baht 5.97 million)(see Note 17).

The Company's land including existing construction and to be constructed in the future and machines were mortgaged as collateral for loans from financial institutions (see Notes 13 and 16)

## 11. INTANGIBLE ASSETS

Intangible assets as at December 31, 2015 and 2014 consisted of:

	Baht		
	Computer software	Computer software under installation	Total
<b>At cost</b>			
Balance as at January 1, 2014	4,790,100.00	75,000.00	4,865,100.00
Purchases/ transfer in	-	162,000.00	162,000.00
Disposals/ transfer out	-	-	-
Balance as at December 31, 2014	4,790,100.00	237,000.00	5,027,100.00
Purchases/ transfer in	-	162,000.00	162,000.00
Disposals/ transfer out	-	-	-
Balance as at December 31, 2015	4,790,100.00	399,000.00	5,189,100.00
<b>Accumulated amortization</b>			
Balance as at January 1, 2014	2,014,211.19	-	2,014,211.19
Amortization	561,274.58	-	561,274.58
Disposals/ transfer out	-	-	-
Balance as at December 31, 2014	2,575,485.77	-	2,575,485.77
Amortization	506,244.99	-	506,244.99
Disposals/ transfer out	-	-	-
Balance as at December 31, 2015	3,081,730.76	-	3,081,730.76
<b>Net book value</b>			
Owned assets	1,913,363.92	237,000.00	2,150,363.92
Assets under finance leases	301,250.31	-	301,250.31
Balance as at December 31, 2014	2,214,614.23	237,000.00	2,451,614.23
Owned assets	1,526,118.54	399,000.00	1,925,118.54
Assets under finance leases	182,250.70	-	182,250.70
Balance as at December 31, 2015	1,708,369.24	399,000.00	2,107,369.24

	Millions Baht	
	2015	2014
Amortization for the years ended December 31		
was included in administrative expense	0.51	0.56



As at December 31

The cost amount before accumulated amortization which have been fully amortized and still in use

1.32	1.19
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## 12. DEFERRED TAX

Deferred tax as at December 31, 2015 and 2014 consisted of:

	Baht	
	2015	2014
Deferred tax assets	10,720,552.43	14,853,717.48
Deferred tax liabilities	(5,297,009.15)	(3,745,528.33)
Deferred tax assets - net	5,423,543.28	11,108,189.15

Movements of deferred tax assets and liabilities occur during the years were as follows:

	January 1, 2014	Profit (loss)	December 31, 2014	Profit (loss)	Other comprehensive income	December 31, 2015
<b>Deferred tax assets</b>						
Inventories	188,654.10	(29,451.50)	159,202.60	-	-	159,202.60
Employee benefit obligations	569,558.87	85,611.88	655,170.75	71,715.99	61,542.40	788,429.14
Tax loss carry forward	8,266,330.10	5,773,014.03	14,039,344.13	(4,266,423.44)	-	9,772,920.69
<b>Total</b>	<b>9,024,543.07</b>	<b>5,829,174.41</b>	<b>14,853,717.48</b>	<b>(4,194,707.45)</b>	<b>61,542.40</b>	<b>10,720,552.43</b>
<b>Deferred tax liabilities</b>						
Property, plant and equipment	(3,412,573.86)	(332,954.47)	(3,745,528.33)	(1,551,480.82)	-	(5,297,009.15)
<b>Total</b>	<b>(3,412,573.86)</b>	<b>(332,954.47)</b>	<b>(3,745,528.33)</b>	<b>(1,551,480.82)</b>	<b>-</b>	<b>(5,297,009.15)</b>

## 13. BANK OVERDRAFT AND SHORT-TERM LOANS FROM FINANCIAL INSTITUTIONS

Bank overdraft and short-term loans from financial institutions as at December 31, 2015 and 2014 consisted of:

	Baht	
	2015	2014
Bank overdraft	7,404,526.95	4,865,637.62
Promissory notes	16,000,000.00	31,000,000.00
Trust receipt	14,272,066.81	20,833,624.76
Total	37,676,593.76	56,699,262.38

The Company has credit facilities with financial institutions consisted of:

Financial institutions	Type of credit	Credit limit (Million Baht)		Interest rate	Collateral
		2015	2014	(Percentage per annum)	
No. 1	Bank overdrafts	10.00	10.00	MOR	The Company's land including existing construction and to be constructed in the future for used as collateral, including the benefits from insurance of such collateral
	Promissory notes	16.00	16.00	MLR	
No. 2	Bank overdrafts	-	5.00	MOR	
	Letter of credit / Trust receipt/ Letter of guarantee	15.00	30.00	MLR, SIBOR	
	Promissory notes	-	15.00	MLR	

In year 2015, The Company reduced credit facilities with financial institution No.2, including the redemption of land including existing construction and to be constructed in the future (see Note 10) and revoked guarantees of 2 related companies (see Note 4).

**14. TRADE AND OTHER PAYABLES**

Trade and other payables as at December 31, 2015 and 2014 consisted of:

	Baht	
	2015	2014
Trade payables	51,252,454.81	57,449,947.63
Other payables		
Accrued expenses	10,808,120.48	9,136,618.70
Withdrawal from money incorrectly transfer (see Note 5)	-	9,986,002.72
Other payables	1,660,093.49	1,283,721.67
Total	12,468,213.97	20,406,343.09
Grand total	63,720,668.78	77,856,290.72

**15. CURRENT PORTION OF LIABILITIES**

Current portion of liabilities as at December 31, 2015 and 2014 consisted of:

	Note	Baht	
		2015	2014
Loans from financial institutions	16	2,799,999.96	12,430,037.81
Liabilities under finance lease	17	8,122,562.45	8,675,288.11
Total		10,922,562.41	21,105,325.92

**16. LOANS FROM FINANCIAL INSTITUTIONS**

Loans from financial institutions as at December 31, 2015 and 2014 consisted of:

	Baht	
	2015	2014
Loans from financial institutions	4,164,745.15	16,603,902.28
Less Current portion	(2,799,999.96)	(12,430,037.81)
Long-term loans from financial institutions	1,364,745.19	4,173,864.47

The details of long-term loans from financial institutions are as follows:

Lender	Credit limit (Million Baht)	Principal (Million Baht)		Period	Interest rate (Percentage Per annum)	Repayment
		2015	2014			
Bank	14.00	-	3.36	Nov. 2010 - Oct. 2015	MLR	Monthly principal repayment with interest of Baht 0.29 million, first repayment started after 7 months of initial loan withdrawal.
Bank	26.00	-	6.33	Nov. 2010 - Oct. 2015	MLR	Monthly principal repayment with interest of Baht 0.54 million, first repayment started after 7 months of initial loan withdrawal.
Bank	14.00	4.16	6.91	Jul. 2012 - Jun. 2017	MLR	Monthly principal repayment with interest of Baht 0.23 million, first repayment started after 7 months of initial loan withdrawal.
Total		<u>4.16</u>	<u>16.60</u>			

Movements of loans from financial institutions for the years ended December 31, 2015 and 2014 were as follows:

	Baht	
	2015	2014
Beginning balance	16,603,902.28	28,580,979.44
Increase	-	-
Decrease	(12,439,157.13)	(11,977,077.16)
Ending balance	<u>4,164,745.15</u>	<u>16,603,902.28</u>

The Company mortgaged land including existing construction and to be constructed in the future (see Note 10) including the benefits from insurance of such collateral.

#### 17. LIABILITY UNDER FINANCE LEASE

Liability under finance lease as at December 31, 2015 and 2014 consisted of:

Year	Baht					
	2015			2014		
	Present value	Deferred interest	Minimum lease payment	Present value	Deferred interest	Minimum lease payment
<b>Finance leases</b>						
1	2,227,606.49	290,476.86	2,518,083.35	2,615,522.34	109,931.54	2,725,453.88
2 - 5	4,038,609.23	207,256.02	4,245,865.25	270,869.88	54,696.88	325,566.76
	<u>6,266,215.72</u>	<u>497,732.88</u>	<u>6,763,948.60</u>	<u>2,886,392.22</u>	<u>164,628.42</u>	<u>3,051,020.64</u>
<b>Sale and leaseback agreement</b>						
1	5,894,955.96	560,078.66	6,455,034.62	6,059,765.77	389,368.19	6,449,133.96
2 - 5	4,199,884.20	194,743.13	4,394,627.33	2,660,236.68	81,439.30	2,741,675.98
	<u>10,094,840.16</u>	<u>754,821.79</u>	<u>10,849,661.95</u>	<u>8,720,002.45</u>	<u>470,807.49</u>	<u>9,190,809.94</u>
<b>Total</b>						
1	8,122,562.45	850,555.52	8,973,117.97	8,675,288.11	499,299.73	9,174,587.84
2 - 5	8,238,493.43	401,999.15	8,640,492.58	2,931,106.56	136,136.18	3,067,242.74
	<u>16,361,055.88</u>	<u>1,252,554.67</u>	<u>17,613,610.55</u>	<u>11,606,394.67</u>	<u>635,435.91</u>	<u>12,241,830.58</u>

The Company entered into a finance lease agreement for purchase of machinery vehicle and office equipment which is payable monthly in the amount of Baht 0.86 million (year 2014: Baht 1.14 million). The current portion in the amount of Baht 7.80 million (year 2014: Baht 8.68 million) was presented under current liabilities.

In year 2015, the Company entered into the sale and lease back agreement of machinery at book value in the amount of baht 15.26 million (year 2014: Baht 6.36 million).

## 18. OTHER CURRENT LIABILITIES

Other current liabilities as at December 31, 2015 and 2014 consisted of:

	Baht	
	2015	2014
Deposits received	9,230,280.00	19,279,980.00
Withholding tax payable	1,059,629.11	1,110,283.47
Revenue received in advance	416,194.78	416,194.78
Total	<u>10,706,103.89</u>	<u>20,806,458.25</u>

## 19. EMPLOYEE BENEFIT OBLIGATIONS

Movements of the present value of employee benefit obligations for the years ended December 31, 2015 and 2014 were as follows:

	Baht	
	2015	2014
<b>Post-employment benefit plan</b>		
Employee benefit obligations as at January 1	2,991,186.20	2,847,794.36
Included in profit or loss:		
Current service cost	486,915.47	112,473.67
Interest cost	156,332.05	30,918.17
Included in other comprehensive income:		
Defined benefit plan actuarial losses	307,712.00	-
Employee benefit obligations as at December	<u>3,942,145.72</u>	<u>2,991,186.20</u>

The Company made defined benefit plan in accordance with severance payment as the labor law which entitled retired employee within work service period in various rates, such as more than 10 years to receive severance payment not less than 300 days or 10 months of the last month salary.

The principal actuarial assumptions as at December 31, 2015 (expressed as weighted averages) are as follows:

	Monthly employees	Daily employees
Discount rate (%)	4.30	4.11
Future salary increases (%)	5.00	5.00
Turnover rate (%)	0.00 - 30.00	0.00 - 50.00
Retirement age	60 years	60 years
Mortality rate	Thai Mortality Ordinary Table 2008	

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

	Baht	
	Increase	Decrease
Discount rate (1% Movement)	(318,088.00)	374,541.00
Salary increase rate (1% Movement)	455,661.00	(392,035.00)
Turnover rate (1% Movement)	(265,631.00)	326,101.00

## 20. SHARE CAPITAL

The Extraordinary General Meeting of Shareholders held on July 9, 2015 the resolutions were passed as follows:

20.1 The increase of registered share capital from Baht 113 million to Baht 150.34 million by issuing new ordinary shares of 74.68 million ordinary shares, with the par value of Baht 0.50 each.

20.2 The resolutions to allot new ordinary shares as follows:

- Issued ordinary shares of not more than 74.09 million shares offered to the existing shareholders at the subscription ratio of 3 existing shares to 1 new ordinary share at the offering price of Baht 0.75 per share.
- Issued ordinary shares of not more than 0.59 million shares to be reserved for the adjustment of rights under the ESOP warrant to purchase the Company's ordinary shares to be offered to Board of Director and employees of the Company.

Therefore, the Company's Board of Directors or the Board of Directors' designated persons are authorized to determine and change the date and time of the offering and other details to allot the newly issued ordinary shares.

The Company registered the increase in its registered share capital with the Ministry of Commerce on July 17, 2015.

The Company has adjusted the exercise ratio for the ESOP warrant (see Note 21).

20.3 During August 3 to 7, 2015 the Company offered subscription shares and payment at the offering price of Baht 0.75 per share. The Company registered the change in its paid-up share capital from share subscriptions received from Baht 111.14 million to Baht 148.19 million with the Ministry of Commerce on August 17, 2015.

## 21. WARRANTS

On May 9, 2013, the Company issued Employee Stock Option Plan: ESOP in the amount of 6,000,000 warrants to the directors and employees. The details of the warrants were described belows:

Type of Securities	: Warrants purchasing ordinary shares of the Company to allot to the directors and employees.
Type of Warrants	: Specified warrant's holder and not transferable.
Term of Warrants	: 5 years from the issuing date of warrants.
Numbers of Warrants	: 6,000,000 units
Offering Price	: 0 Baht per unit.
Exercise Ratio	: Existing exercise ratio for ESOP warrant equal to 1 : 1 (1 ESOP warrant to purchase 1 ordinary share) to new exercise ratio for

ESOP warrant equal to 1 : 1.16 (1 ESOP warrant to purchase 1.16 ordinary share).

Exercise Price : Baht 0.50 per share (Subject to the right adjustment in accordance with rules and conditions).

Exercise Period : The first 3 days after the Company issued warrants exercisable at end of 0.5 year, 25% of the warrants have been allocated.

The second 3 days after the Company issued warrants exercisable at end of 1 year, 25% of the warrants have been allocated.

The third 3 days after the Company issued warrants exercisable at end of 1.5 years, 50% of the warrants have been allocated.

The fourth 3 days after the Company issued warrants exercisable at end of 2 years, 50% of the warrants have been allocated.

The fifth 3 days after the Company issued warrants exercisable at end of 2.5 years, 75% of the warrants have been allocated.

The sixth 3 days after the Company issued warrants exercisable at end of 3 years, 75% of the warrants have been allocated.

The seventh 3 days after the Company issued warrants exercisable at end of 3.5 years, all of the warrants have been allocated.

The eighth 3 days after the Company issued warrants exercisable at end of 4 years, all of the warrants have been allocated.

The ninth 3 days after the Company issued warrants exercisable at end of 4.5 years, all of the warrants have been allocated.

The tenth 7 days before the Company issued warrants exercisable at end of 5 years, all of the warrants have been allocated

The last exercisable period : May 2-8, 2018

As at December 31, 2015, the outstanding warrants not yet exercise were 1.33 million warrants (year 2014: 2.60 million warrants)

Movements during the years 2015 and 2014 of warrants and fair value of the warrants were as follows:



	2015		2014	
	Number of warrants	Fair value	Number of warrants	Fair value
		Baht		Baht
As at January 1	2,600,542	7,367,335.49	4,560,217	5,882,679.93
Issued warrants	389,632	1,103,827.46	-	-
Exercised warrants	(1,438,400)	(4,074,987.20)	(1,552,375)	(2,002,563.75)
Forfeited warrants	(219,862)	(622,869.05)	(407,300)	(525,417.00)
As at December 31	1,331,912	3,773,306.70	2,600,542	3,354,699.18

The Company issued ordinary shares offering to exercise warrants for directors and employees (see Note 21) at Baht 0.50 per share. The details were described belows:

Date *	Number of shares increase capital	Paid-up share capital (million Baht)	
		From	To
May 28, 2014	170,950	110.36	110.48
November 14, 2014	1,381,425	110.48	111.14
November 24, 2015	1,438,400	148.19	148.90

\* Date of registration of capital increase with the Ministry of Commerce.

**22. EXPENSES BY NATURE**

Significant expenses by nature for the years ended December 31, 2015 and 2014 consisted of:

	Baht	
	2015	2014
Changes in finished goods and work in process	3,315,923.78	(6,955,741.58)
Subcontract expenses	101,677,323.72	83,686,303.71
Raw materials and supplies used	144,062,213.90	135,581,886.98
Employee expenses	96,946,042.31	90,217,855.31
Rental and service expenses	5,803,006.76	5,925,367.33
Depreciation and amortization	27,368,962.84	26,149,601.24
Loss from impairment of assets	-	361,958.17
Repair and maintenance expenses	6,246,419.67	5,452,089.02
Travelling expenses	336,054.69	4,031,441.96
Utility expenses	16,643,155.05	15,943,978.48
Professional fee	3,493,281.95	3,686,765.93

**23. FINANCE COSTS**

Finance costs for the years ended December 31, 2015 and 2014 consisted of:

	Baht	
	2015	2014
Interest expenses	5,370,482.26	7,028,340.65
Bank charge	1,900,284.01	1,001,386.15
Total	<u>7,270,766.27</u>	<u>8,029,726.80</u>

**24. INCOME TAX**

Corporate income tax for the years ended December 31, 2015 and 2014 was calculated at a rate specified by the Revenue Department on net earnings after adjusting certain conditions according to the Revenue Code. The Company recorded the corporate income tax as expense for the years and recorded the accrued portion as liabilities in the statements of financial position.

Income tax reduction

Royal Decree No. 530 B.E. 2554 dated December 14, 2011 grants a reduction in the corporate income tax rate from 30% to 23% on net profit for the accounting period beginning on or after January 1, 2012, and will be reduced to 20% on net profit for the two consecutive accounting periods beginning on or after January 1, 2013 onwards.

Royal Decree No. 577 B.E. 2557 dated November 3, 2014 extends the reduction to 20% on net profit for the accounting period which begins on or after January 1, 2015, but not later than December 31, 2015.

Tax income (expense) recognized in profit or loss for the years ended December 31, 2015 and 2014 as follows:

	Baht	
	2015	2014
<b>Current tax</b>		
Current year	-	-
<b>Deferred tax</b>		
Movement in temporary differences	(5,746,188.27)	5,496,219.94
Tax income (expenses)	<u>(5,746,188.27)</u>	<u>5,496,219.94</u>

Income tax recognised in other comprehensive income for the year ended December 31, 2015 as follows:

	Baht
Employee benefit obligations	61,542.40

Reconciliation of effective tax rate

	2015		2014	
	Tax rate (%)	Baht	Tax rate (%)	Baht
Profit (loss) before income tax		2,618,810.50		(21,902,225.09)
Income tax using the corporate tax rate	20	(523,762.10)	20	4,380,445.02
Expenses not deductible for tax purposes		(20,553.59)		1,181,044.55
Addition expenses deductible for tax purposes		3,465,218.30		1,095,674.88
Loss for current year		(2,920,902.61)		(6,657,164.45)
Current tax	-	-	-	-
Movement in temporary differences		(5,746,188.27)		5,496,219.94
Tax income (expenses)	25	<u>(5,746,188.27)</u>	25	<u>5,496,219.94</u>

## 25. LEGAL RESERVE

According to the Public Limited Companies Act B.E. 2535, the Company is required to set aside 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 share capital.

## 26. PROVIDENT FUND

The Company and its employees jointly registered a provident fund scheme under the Provident Fund Act B.E. 2530. The Fund is contributed to by both the employees and the Company. The Fund is managed by Krung Thai Asset Management Public Company Limited. This Fund is registered under the conditions of Ministry of Finance and the Fund is managed by the Fund manager.

## 27. PROMOTIONAL PRIVILEGES

The Company was granted promotional privileges under the Investment Promotion Act, B.E. 2520 to manufacture automobile and electronic parts made from aluminums and zinc was significant summarized as follows:

- Exemption from import duty on machinery as approved by the Board of Investment which import within July 26, 2013.
- Exemption from corporate income tax on net profit derived from the operations of promoted businesses for a period of 8 years from the date operating income is first derived.
- Exemption from income tax on dividends received from the operations of the promoted business.
- An allowance to double deduct the transportation, electricity and water expenses for period of ten years from the data income is first earned.
- An allowance to deduct 25 percent of investment in infrastructure in addition to normal depreciation.

As a promoted industry, the Company has to comply with terms and conditions stipulated in the promotion certificate.

Revenue presented by the operation of promoted business and non promoted business for the years ended December 31, 2015 and 2014, consisted of:

	Baht					
	2015			2014		
	Domestic	Overseas	Total	Domestic	Overseas	Total
Promoted business	378,074,299.43	4,114,868.40	382,189,167.83	269,647,936.07	125,606.50	269,773,542.57
Non promoted business	28,438,000.00	9,878,130.42	38,316,130.42	76,298,255.46	10,816,000.00	87,114,255.46
<b>Total</b>	<b>406,512,299.43</b>	<b>13,992,998.82</b>	<b>420,505,298.25</b>	<b>345,946,191.53</b>	<b>10,941,606.50</b>	<b>356,887,798.03</b>

**28. BUSINESS SEGMENT INFORMATION**

Operating segment information is reported in a manner consistent 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 the directors of the Company.

Management considers that the Company operates in a single line of business, manufacture and sell exhaust system and tooling and has therefore only one business segment.

The Company operates a geographic area by engaging in both domestic and overseas sales, and has net domestic and overseas sales per total net sales for the years December 31, 2015 and 2014 as follows:

	Percent per total net sales	
	2015	2014
Domestic net sales	96.67	95.79
Overseas net sales	3.33	4.21

**29. COMMITMENTS**

As at December 31, 2015, the Company had commitments as follows:

29.1. Commitments for payment under agreement as follows:

29.1.1. Payment under rental asset agreement with other companies in the amount of Baht 0.44 million per month.

29.1.2. Consultant agreement with other companies in the remaining amount of Baht 6.89 million and Baht 0.01 million per month.

29.1.3. Service agreement with third parties in the amount of Baht 0.08 million per month.

29.1.4. The purchase of machinery in the amount of Baht 0.96 million.

29.2. The letters of guarantee issued by banks used as collateral for electricity used and construction material payment in the amount of Baht 2.23 million (see Note 9).

**30. DISCLOSURE OF FINANCIAL INSTRUMENTS**

The Company has no policy to speculate or trade in any derivatives financial instrument.

**30.1. Capital management**

The Board of Directors' policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors the return on capital, which the Company defines as result from operating activities divided by total shareholders' equity and also monitors the level of dividends to ordinary shareholders.

**30.2. Accounting policies**

Details of significant accounting policies, methods adopted, including the bases on which income and expenses are recognized, in respect of each class of financial assets or financial liabilities are disclosed in Note 3.

Significant risks of the financial instruments are summarized as follows:

**30.2.1. Interest rate risk**

Interest rate risk is the fluctuation of the market interest rate in the future which will affect the Company's operation and cash flows. The Company has the interest rate risk from cash and deposits at bank, bank overdrafts and loans from bank and liabilities under finance lease because the interest rate of financial assets and financial liabilities fluctuated based on the market rate. Therefore, the Company has not engaged in any hedging contracts.

**30.2.2. Foreign currency risk**

The Company's exchange rate risk primarily involves the purchases and sales of goods in foreign currencies. However, management believes that the Company has no significant foreign currency exchange rate risk. Therefore, the Company does not use derivative to hedge such financial assets and liabilities.

**30.2.3. Credit risk – trade accounts receivable**

The Company has a policy to hedge credit risk from trade accounts receivable by forming a conservative credit policy and by determining the receipt from the sales of goods and service. Therefore, the Company expects that the loss from the collection of those trade accounts receivable should not exceed the allowance for doubtful accounts.

**30.3. Fair value**

Most of the financial assets are cash and cash equivalents, trade and other receivables which are short-term credit. Most of the financial liabilities are trade and other payables, bank overdrafts and loans from bank and liabilities under finance lease with interest rates close to the market rate. The carrying amount of the financial assets and financial liabilities are not significantly different from their fair value.

**31. EVENTS AFTER THE REPORTING PERIOD**

The Board of Directors of the Company held on February 24, 2016 approve the elimination of deficits by offsetting with the legal reserve and share premium, based on the statement of financial position as at December 31, 2015.

**32. APPROVAL OF FINANCIAL STATEMENTS**

These financial statements have been approved for issue by the Company's Board of Directors on February 24, 2016.

## 16. AUDITOR'S REPORT

### 16.1 AUDITOR'S REPORT

To the Board of Directors and Shareholders of Sanko Diecasting (Thailand) Public Company Limited

I have audited the accompanying financial statements of Sanko Diecasting (Thailand) Public Company Limited which comprise the statement of financial position as at December 31, 2015, and the statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### 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 judgment, 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 present fairly, in all material respects, the financial position of Sanko Diecasting (Thailand) Public Company Limited as at December 31, 2015, and its financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Kraisit Silapamongkonkul

Certified Public Accountant

Registration Number 9429

PV Audit Co., Ltd.

Bangkok, February 24, 2016

## 16.2. Important Financial Information

### Financial Status and Performance

#### 16.2.1. Financial Statement

##### (a) The auditor and important accounting policies

The report of the Certified Public Account (CPA) of the year 2013 to 2015 can be summarized as follows,

The Auditor report for the Company's financial statement of the accounting year 2013, ending on 31<sup>st</sup> December 2013, was investigated by ANS Audit co.,ltd, by Mr. Prawit Viwanthananut, the Certified Public Accountant license no. 4917 who had been approved by the Securities and Exchange Commission and had given an undisputed opinion that the financial statement of the Company indicates clearly and correctly the financial status and the performance of the Company, in accordance with the general accounting principles.

The Auditor report for the Company's financial statement of the accounting year 2014, ending on 31<sup>st</sup> December 2014, was investigated by PV Audit co.,ltd, by Mr. Kraisit Silapamongkonkul, the Certified Public Accountant license no. 9429 who had been approved by the Securities and Exchange Commission and had given an undisputed opinion By emphasizing the information and events relating to the use of the accounting standards issue 12, under "Income Tax" following the report dated 26<sup>th</sup> February 2014

the auditor report for the financial statement of the Company for the accounting year 2015 ending on 31<sup>st</sup> December 2015 which was audited by PV Audit co.ltd with Mr. Kraisit Silapamongkolkul, auditor license no. 9429 and as the auditor approved by the Securities and Exchange Commission, giving opinions unconditionally on the 31<sup>st</sup> December 2015 where all operation performance and cash flows of the year end on the same day, correctly and appropriately according to the standards of the financial statement report.

Tables showing the financial status and performance.

(Unit: million Baht)

Summaries of the financial status	Audited					
	Ending on 31 <sup>st</sup> DEC 2013		Ending on 31 <sup>st</sup> DEC 2014		Ending on 31 <sup>st</sup> DEC 2015	
	Amount	%	Amount	%	Amount	%
Cash and Cash Equivalent	20.88	6.12%	7.03	2.10%	25.17	7.56%
Account Receivable and Other Receivables	51.60	15.11%	49.99	14.92%	46.48	13.97
Inventories	41.16	12.06%	47.20	14.09%	46.84	14.07%
Other Current Assets	10.35	3.03%	12.71	3.79%	7.24	2.17%
<b>Total Current Assets</b>	<b>123.99</b>	<b>36.32%</b>	<b>116.93</b>	<b>34.91%</b>	<b>125.73</b>	<b>37.78%</b>
Cash in deposits with banks guarantee	5.98	1.75%	5.98	1.79%	5.98	1.79%
Lands, Buildings and Equipments	194.83	57.07%	193.43	57.74%	187.55	56.35%
Intangible Assets	2.85	0.83%	2.45	0.73%	2.11	0.63%



Summaries of the financial status	Audited					
	Ending on 31 <sup>st</sup> DEC 2013		Ending on 31 <sup>st</sup> DEC 2014		Ending on 31 <sup>st</sup> DEC 2015	
	Amount	%	Amount	%	Amount	%
Deferred Tax Assets	5.61	1.64%	11.11	3.32%	5.42	1.63%
Other Non-Current Assets	8.14	2.38%	5.09	1.52%	6.03	1.81%
<b>Total Non-Current Assets</b>	<b>217.41</b>	<b>63.68%</b>	<b>218.06</b>	<b>65.09%</b>	<b>207.09</b>	<b>62.22%</b>
<b>Total Assets</b>	<b>341.40</b>	<b>100.00%</b>	<b>334.99</b>	<b>100.00%</b>	<b>332.82</b>	<b>100.00%</b>
Over Draft and Short-Term Loans from Financial Institution	61.07	17.89%	56.70	16.93%	37.68	11.32%
Account Payable and Other Payables	80.36	23.54%	77.86	23.24%	63.72	19.15%
Under 1 Year Liabilities	23.49	6.88%	21.10	6.30%	10.92	3.28%
Accrued Expense			21.00	6.27%	15.00	4.51%
Other Current Liabilities	8.19	2.40%	20.81	6.21%	10.71	3.22%
<b>Total Current Liabilities</b>	<b>173.11</b>	<b>50.71%</b>	<b>197.47</b>	<b>58.95%</b>	<b>138.03</b>	<b>41.47%</b>
Long-Term Loans from Financial Institution	16.62	4.87%	4.17	1.24%	1.36	0.41%
Liabilities under Long-Term Financial Lease	7.86	2.30%	2.93	0.87%	8.24	2.48%
Deferred Tax Liabilities			-	-	-	-
Employee benefits	2.85	0.83%	2.99	0.89%	3.94	1.18%
<b>Total Non-Current Liabilities</b>	<b>27.33</b>	<b>8.01%</b>	<b>10.09</b>	<b>3.01%</b>	<b>13.55</b>	<b>4.07%</b>
<b>Total Liabilities</b>	<b>200.44</b>	<b>58.71%</b>	<b>207.56</b>	<b>61.69%</b>	<b>151.57</b>	<b>45.54%</b>
Registered Capital	113	33.10%	113	33.73%	150.34	45.17%
Paid in Capital	110.36	32.33%	111.14	33.18%	148.90	44.74%
Premium on share capital	30.98	9.07%	32.40	9.67%	52.87	15.89%
Warrants	0.48	0.14%	1.15	0.34%	0.11	0.03%
Legal Reserves	2.22	0.65%	2.22	0.66%	2.22	0.67%
Unappropriated Retained Earnings	-3.08	-0.90%	-19.48	-5.82%	-22.85	-6.87%
<b>Total Owner's Equity</b>	<b>140.96</b>	<b>41.29%</b>	<b>127.43</b>	<b>38.04%</b>	<b>181.24</b>	<b>54.46%</b>
<b>Total liabilities and shareholders' equity</b>	<b>341.40</b>	<b>100%</b>	<b>334.99</b>	<b>100.00%</b>	<b>332.82</b>	<b>100.00%</b>

(Unit: million Baht)

Statement of Comprehensive Income	Audited					
	2013		2014		2015	
	Amount	%	Amount	%	Amount	%
Revenue from Sales and Services	403.44	100%	356.89	100%	420.51	100.00%
Costs of Sales and Services	-368.12	-91.25%	-321.50	-90.08%	- 352.44	-83.81%
<b>Gross Profit</b>	<b>35.31</b>	<b>8.75%</b>	<b>35.39</b>	<b>9.92%</b>	<b>68.06</b>	<b>16.19%</b>
Selling Expenses	-6.41	-1.59%	-7.26	-2.03	- 7.17	-1.71%
Administrative Expenses	-49.35	-12.23%	-49.61	-13.90%	- 57.45	-13.66%
<b>Operating Profit</b>	<b>-20.45</b>	<b>-5.07%</b>	<b>-21.48</b>	<b>-6.02%</b>	<b>3.44</b>	<b>0.82%</b>
Other Revenues	7.56	1.87%	7.61	2.13%	6.45	1.53%
Financial Costs	-8.16	-2.02%	-8.03	-2.25	- 7.27	-1.73%
<b>Profit before Tax</b>	<b>-21.05</b>	<b>-5.22%</b>	<b>-21.90</b>	<b>-6.14%</b>	<b>2.62</b>	<b>0.62%</b>
Income Tax	6.47	1.60%	5.50	1.54%	-5.75	-1.37%
<b>Profit per installment</b>	<b>-14.58</b>	<b>-3.61%</b>	<b>-16.40</b>	<b>-4.60%</b>	<b>- 3.13</b>	<b>-0.74%</b>
Other Comprehensive Income Items	-	-	-	-	-	-
<b>Comprehensive Income per Installment</b>	<b>-14.58</b>	<b>-3.61%</b>	<b>-16.40</b>	<b>-4.60%</b>	<b>- 3.13</b>	<b>-0.74%</b>
<b>Basic Earnings (Loss) per Share</b>						
Weighted Average Number of Ordinary Shares (Shares)	205,204,374		221,004,298		252,325,969	
Profit per Shares (Baht / Share)	(0.07)		(0.074)		-0.012	
At the value of 0.50 per share	0.50		0.50		0.50	

(Unit: million Baht)

Statement of Cash Flow	Audited		
	2013	2014	2015
Cash Flow from Operating Activities			
Profit before Tax	-21.05	- 21.90	2.62
<b>Adjusting profit before tax to net cash from (used in) operating activities</b>			
Depreciation and Amortization	26.37	26.15	27.37
Loss (Profit) from amortization	0.13	-0.38	0.99
Doubtful Debts		-	-
Loss (profit) from depreciation of assets	-6.65	1.88	-2.09
Loss (profit) from impairment of assets	2.09	0.36	-

Statement of Cash Flow	Audited		
	2013	2014	2015
Employees benefits debts estimation	1.21	0.14	0.64
Stock warrant issues payment	0.48	0.67	1.27
Interest received	-0.18	- 0.14	- 0.13
Interest earned	8.16	7.03	6.76
Operating profit before change in operating assets and liabilities	10.56	13.82	37.44
<b>Changes in operating assets (increasing) decreasing</b>			
Account Receivable and other Receivable	12.51	1.61	3.50
Inventories	7.96	-7.92	2.45
Other Current Assets	11.01	-2.27	6.47
Other Non-Current Assets	-5.17	0.01	-
<b>Changes in operating liabilities (decreasing) increasing</b>			
Account Payable and other Payables	-12.80	- 2.32	- 14.10
Other Current Liabilities	-11.59	12.60	-10.10
Cash Inflows from Operation	12.48	15.53	25.66
Interest Received	0.17	0.14	0.14
Income Tax	- 1.92	- 1.86	-0.93
<b>Net Cash Provided by Operating Activities</b>	<b>10.73</b>	<b>13.80</b>	<b>24.87</b>
<b>Cash Flows from Investing Activities</b>			
Cash in Deposit to Financial Institution with increased guarantee	-	-	-
Buying Lands and Equipment	- 32.60	- 19.13	-15.81
Buying Intangible Assets	- 1.36	-0.16	-
Cash inflows from selling of equipments	14.83	0.50	0.01
<b>Net Cash in Investing Actovities</b>	<b>- 19.13</b>	<b>- 18.79</b>	<b>- 15.96</b>

(Unit: million Baht)

Statement of Cash Flow	Audited		
	2013	2014	2015
Cash from Financing Activity			
Overdraft and Short-Term loans from Financial Institution, Increasing (decreasing)	-4.37	- 4.37	- 19.02
Long-Term Loans from Related Parties	-	23.50	-
Repayment of Long-Term Loans from Related Parties		-2.50	- 6.00
Long-Term Loans from Financial Institution	-	-	-
Repayment of Long-Term Loans from Financial Institution	- 11.47	- 11.98	- 12.44
Proceeds from sale and leaseback agreement		4.60	9.65
Payment of Liabilities under Financial Lease	- 11.72	-13.12	- 12.06
Dividend	-8.80	-	-
Interest	- 8.17	- 7.21	- 6.80
Payment of Common Stocks	53.35	2.20	55.91
<b>Net Cash from (used in) Financing Activities</b>	<b>8.82</b>	<b>-8.87</b>	<b>- 9.24</b>
<b>Net Increase of Cash and Cash Equivalents</b>	<b>0.42</b>	<b>-13.86</b>	<b>- 18.15</b>
Beginning Balance of Cash and Cash Equivalents	20.46	20.88	7.03
Remaining Balance of Cash and Cash Equivalents	20.88	7.03	25.17

## (b) Key Financial Ratio

Financial Ratio		2013	2014	2015
<b>Liquidity Ratio</b>				
Current Ratio	Times	0.71	0.59	0.91
Quick Ratio	Times	0.47	0.35	0.57
Cash Flow Liquidity Ratio	Times	0.12	0.03	0.18
Account Receivable Turnover	Times	6.97	7.03	8.72
Average Collection Period	Days	52.37	51.92	41.86
Inventory Turnover	Times	8.80	7.28	7.50
Average holding period	Days	41.48	50.14	48.67
Payable Turnover	Times	5.08	3.60	4.56

Financial Ratio		2013	2014	2015
Payable Conversion Period	Days	71.85	101.39	80.04
Cash cycle	Days	22	0.67	10.49
<b>Profitability Ratio</b>				
Gross Profit Margin	%	8.75	9.92	16.19
Operating Profit Margin	%	-5.07	-6.02	2.35
Other Profit	%	-5.22	-6.14	0.62
Quality of Earnings	%	-99.22	-32.08	256.88
Net Profit Margin	%	-3.61	-4.60	-0.74
Return on Equity (ROE)	%	-10.34	-12.87	-1.73
<b>Efficiency Ratio</b>				
Return on Assets (ROA)	%	-4.27	-4.90	-0.94
Return on Fixed Assets (ROFA)	%	-6.70	-7.52	-1.51
Total Asset Turnover	Times	1.18	1.07	1.26
<b>Financial Policy Ratio</b>				
Debt to Equity Ratio	Times	1.42	1.63	0.84
Interest Coverage Ratio	Times	-2.51	-2.67	0.47
Cash basis	Times	0.27	0.37	0.32
Dividend Payout	%	-0.6		-

## 17. Report of the Board of Directors' Responsibilities for the Financial Statements

The main priority of the Board of Directors is to supervise the Company's operations, making sure they are in line with good corporate governance policy and that the financial statements and financial information appearing in the Company's annual report are accurate, complete and adequate. Its duty is also to make sure that the financial statements are in line with Thai Financial Reporting Standards and that an appropriate accounting policy has been chosen and is being carefully pursued on a regular basis. In addition, the Board of Directors must also ensure that the Company has an effective internal control system to assure the credibility of its financial statements. The Board also ensures protection over potential conflicts of interest through systems which are place to prevent unusual transactions. Connected transactions which might lead to possible conflicts of interest are closely monitored to ensure they are genuine transactions and are reasonably carried out, based on the normal course of business and for the Company's maximum benefits, and that the Company is in compliance with relevant laws and regulations. The Audit Committee has already reported the result of its action to the Board of Directors and has also reported its opinions in the Audit Committee's Report as seen in the annual report. The Board of Directors is of the opinion that the Company's internal control system has been proven to be satisfactory. The Board was able to obtain reasonable assurance on the credibility of the Company's financial statements as at 31 December 2013 which the Company's auditor has audited based on the generally-accepted accounting standards. The auditor is of the opinion that the financial statements present fairly the Company's financial position and the results of its operations in accordance with generally accepted accounting principles.

Mr. Masami Katsumoto  
Director

Mr. Rattawat Suksaichol  
Director

## 18. The Annual Audit Committee Report for the Year 2015

To Shareholders of Sanko Diecasting (Thailand) Public Company Limited.

The 3 members of the Audit Committee of Sanko Diecasting (Thailand) Public Company Limited are independent directors, whose qualifications are in accordance with the requirements and good practices of the Stock Exchange of Thailand. Presently, the Audit committee of the company consists of;

- |                             |                                  |
|-----------------------------|----------------------------------|
| 1. Miss Walaiporn Kanichnun | Chairman of the Audit committee, |
| 2. Mr. Santi Niamnil        | Audit Committee                  |
| 3. Mr. Nipan Tungpiruhatum  | Audit Committee                  |

And Mr. Suvanna Manasati , as the secretary to the Audit committee.

The Audit committee has executed all duties and undergone all responsibilities as assigned by the Board of Directors which also correspond to the regulations of the Stock Exchange of Thailand. This is to hold the meeting of the Audit committee 5 times during the fiscal year of 2015 and during the year 2016, up until the date of the report, 1 more times for the total of 6 meetings. Within the meetings, there was 1 meeting of the Audit Committee without the Management. All of the 3 members of the committee have fully attended all the meetings which were held with the Managing Director, auditors and the internal auditor accordingly. The meetings are summarized as follows;

1. **The review of the quarterly and annually financial statement of the year 2015** is achieved by attending with the auditor and the Managing Director and the auditor regarding the accuracy and the completeness of the financial statement and also the sufficiency in disclosing the information. This also includes acknowledging the audit plans and procedures for the year 2015, to which the Auditor committee and the auditor both agreed that the said financial statement is accurate under the general accounting principles.
2. **The review of the operational information and the internal control system** by determining the sufficiency and the effectiveness of the internal control system which will contribute to reaching the targeted goal. This is achieved by reviewing the evaluation of the internal control system together with the auditor and the internal auditor. The result is that there are no significant weaknesses or faults, and that the assets have been appropriately looked after with accurate, complete and reliable information. Moreover, the committee has evaluated the internal control system, as guided by the Securities and Exchange Commission, where both the auditor and the internal audit had the opinion that the company has a good internal control system and had continued development.

3. **The review of the internal audit** by evaluating the working procedures, planning, reporting and following through with the advice of Thai Audit Ltd. , who acts as the internal audit of the company in order to achieve efficiency and effectiveness. They also reviewed and approved the amendments of the Internal Audit Charter to be more modernized and comply with the guidelines issued by the internal audit of the Stock Exchange of Thailand as well as approving the annual audit plan which is arranged by the level of risks to the organization. The Audit committee agrees that the company has adequate and effective internal audit system in accordance with the international standards.
4. **The review of the legislative compliances** under the Security and Exchange Commissions, the requirements of the Stock Exchange of Thailand and the laws relating to the company's business, including the compliance with the company's provision and any obligations that the company has with the third party. The Audit committee agrees that there are no significant issues which violate the laws, requirements, and any obligations that the company has to the third party.
5. **The review of the risk management system** so that it connects with the internal audit system, in order to manage all the risks of the company. This is done by evaluating the policies, risk factors, and the approach to manage the risks, including the progress of the current risks management. The Audit committee is of the opinion that the company emphasizes on the risk management aspect and that the Management has evaluated the Risk Assessment that could significantly affect the company, both from internal factor and external factor regularly. The Company has appointed a working group to manage the risk and be responsible for this specific task. The Company has configured the risk management procedures into 7 steps as follows; 1) Objective setting, 2) Risk Evaluating, 3) Risk Assessment, 4) Control policy assessment, 5) Risk Management, 6) Reporting, 7) Follow up with evaluation and revision, by preparing a risk management handbook as guidelines to operate.

The company has the system to manage the risks with objective settings, risks assessments, risks management and the means to monitor the progress. The company uses Key Risk Indicator (KRI) which is the advance warning system to adapt appropriately to the situation by determining the Risk Appetite and Risk Tolerance.

6. **The review and the comments made to the items which may have conflicts of interests, including the disclosure of the said items** as required by the Stock Exchange of Thailand and the Securities and Stock Commission. The auditor believes that all of the company's significant transactions with the related companies have already been shown in the financial statement. The committee also



agrees with the auditor that the said items are reasonable, adequately and fully disclosed, and were made to be the most beneficial to the company.

7. **The review of the selection, the nomination and the remuneration of the auditors** for the year 2015, in order to further present it for approval by the Board of the Directors in the annual shareholders meeting of the year 2015. The Audit committee has evaluated the performance, independency and the suitability of the remuneration and comes to the conclusion that Mr. Prawit Wivanthananutr, Certified Public Accountant license no.4917 and/or Mr. Terdthong Tepmungorn, Certified Public Accountant license no. 3787 and/or Mr. Kraisit Silapamongkolkul, Certified Public Accountant license no.9429 of PV Audit Co. Ltd., should be appointed as the company's auditor for the year 2015 with the total remuneration of 800,000 baht. The Audit committee has made comments about the said selection as followed;

- In the past years, the auditors must have performed their duties to the best of the ability in their respective fields. They must provide recommendations for the internal control systems and all the risks, including being independent in their work.
- The suggested remuneration is adequate.
- The auditors must not have any connections to the Company.

The Audit committee has carefully and independently performed its duties for the utmost benefits of the Company as stated in the Charter of the Audit Committee which was approved by the Board of the Directors of the company. The committee believes that the company has an adequate financial report, an effective and suitable internal control and internal audit system, a lawful and non-obligation violating practice with a full disclosure in all of the company's transactions within all of the businesses and is constantly developing the operating system to be more effective and much better suited for the growing business.

On behalf of the Audit committee

Miss Walaiporn Kanignunta  
(Chairman of the Audit committee)

24 February 2016

## 19. Management Discussion & Analysis

### 19.1 Performance

#### Overview of Past Performance

In 2013, the Company's revenue was 410.98 million Baht, a 76.08 million Baht decrease from 2012 or 15.62%. The main result is from the domestic automobile industry which has been slowing down from the cancellation of the cars pre-orders following the First Car Policy of the government which postponed the orders from the customers.

In 2014, the Company total revenue was 364.50 million Baht, a 46.49 million Baht decreased from 2013, or 11.31% of the total revenue. The main reason for this is the economic situation domestically, with the slowing down of the automotive business due to the cancellations of the 1st Car Policy by the government resulting in the delays for the customers' orders.

In 2015, the Company's revenue was 426.96 million Baht, as 62.46 million Baht increase from 2014, or 17.14 % of the total revenue. As main reasons of higher amount of order from both existing and new customer.

#### Revenue

In the year 2013, 2014 and 2015, the Company earned the total revenue of 410.98 million Baht, 364.50 million Baht and 426.96 million Baht respectively. The total revenue of the Company can be summarized as follows;

Revenue	2013		2014		2015	
	Amount (Baht)	%	Amount (Baht)	%	Amount (Baht)	%
<b>1. Revenue from Sales - Parts</b>	<b>335.62</b>	<b>81.66</b>	<b>328.18</b>	<b>90.04</b>	<b>382.19</b>	<b>89.51</b>
Automobile Industry	211.95	51.57	210.20	57.67	276.71	64.81
Motorcycle Industry	71.34	17.36	55.58	15.25	40.71	9.46
Electronics Industry	33.63	8.18	38.39	10.53	46.61	10.83
Agricultural Machinery Industry and others	18.70	4.55	24.01	6.59	18.16	4.22
<b>2. Revenue from Sales - Molds</b>	<b>60.13</b>	<b>14.63</b>	<b>24.70</b>	<b>24.70</b>	<b>34.40</b>	<b>8</b>
Automobile Industry	22.69	5.52	13.43	3.68	9.30	2.16
Motorcycle Industry	33.22	8.08	8.39	2.30	22.87	5.32
Electronics Industry	4.23	1.03	1.05	0.29	1.33	0.31
Agricultural Machinery Industry and others			1.83	0.50	0.90	0.21
<b>Total Revenue from Sales</b>	<b>395.75</b>	<b>96.29</b>	<b>352.88</b>	<b>96.81</b>	<b>416.59</b>	<b>97.57</b>

Revenue	2013		2014		2015	
	Amount (Baht)	%	Amount (Baht)	%	Amount (Baht)	%
Revenue from Services	7.96	1.87	4.01	1.10	3.92	0.91
<b>Revenue from Sales and Services</b>	<b>403.44</b>	<b>98.17</b>	<b>356.89</b>	<b>98.17</b>	<b>420.51</b>	<b>98.49</b>
Other Revenue*	7.54	1.83	7.61	2.09	6.45	1.50
<b>Total Revenue</b>	<b>410.98</b>	<b>100</b>	<b>364.5</b>	<b>100</b>	<b>426.96</b>	<b>100</b>

\*Other Revenue means the income earned from selling scraps and leftover ingredients from the production, profit(loss) from exchange rate which has not yet occurred, profit(loss) from amortization, profit(loss) from depreciation, interest received and other revenue.

#### Revenue from Sales and Services

In the year 2013, 2014 and 2015, the Company's main revenue was from the selling of parts and molds to the customers in the automotive industries amounting to 57.09%, 61.35% and 66.97 respectively. The revenue from the motorbikes industries were 22.88%, 17.55% and 14.78 of the total revenue respectively. The revenue from the customers in the electrical goods industries were 9.21% ,10.82% and 11.14%of the total revenue, respectively. The revenue from the customers in the agricultural machinery industries were 4.55% , 7.09% and 4.43% of the total revenue, respectively.

In 2013, the total revenue of the Company was 410.98 million Baht, a decrease of 76.08 million Baht from 2012 or 15.62%. This is due to the situation of the domestic economy where the automobiles business had been slowing down from the cancellation of the government's First Car Policy's pre-order which resulted in the delay of the consumers' orders. In addition, the Company received the revenue from services where the contract was made for the Company to provide technical supports to a motorcycle parts producing company in India. The revenue from the said deal for the year 2013 was equal to 7.69 million Baht.

In 2014, the Company total revenue was 364.50 million Baht, a 46.49 million Baht decreased from 2013, or 11.31% of the total revenue. The main reason for this is the economic situation domestically, with the slowing down of the automotive business due to the cancellations of the 1<sup>st</sup> Car Policy by the government resulting in the delays for the customers' orders. Additionally, the Company earned the revenue from establishing a contract for technical supports to a certain parts producing company in India where the Company has earned 4.01 million Baht in revenue from the said contract.

In 2015, the total revenue of the Company was 426.96 million Baht, a 62.46 million Baht increased from 2014, or 17.14 of the total revenue. . As main reasons of higher amount of order from both existing and new customer.

Additionally, the Company earned the revenue from establishing a contract for technical supports to a certain parts producing company in India where the Company has earned 3.92 million Baht in revenue from the said contract.

#### Other Revenue

In 2013, 2014 and 2015, the Company has other income of 7.54 million Baht , 7.61 million Baht and 6.45 million Baht respectively, which is equal to 1.83% , 2.09% of and 1.50% the total revenue respectively. The other income of the Company consists of selling the scraps ingredients from production where the actual profit (loss) from trade does not yet occur, the profit (loss) from the depreciation of the products, the interests and other income.

In 2013, other revenue had decreased 5.05 million Baht or 40.11% compared to the year 2012. This is due to the reduction in the sales of scraps and leftover ingredients in the year 2013, as a result to the decrease in sales and productions.

In 2014, the other income of the Company had increased 0.07 million Baht or 0.93% when compared to 2013. This is because there were more sales in the scraps pieces due to the increase in the production during 2013.

In 2015, the other income of the Company had decreased 1.16 million Baht or 15.24% when compared to 2014.

#### Costs of Sales and Gross Profit

In 2013, 2014 and 2015, the Company's costs of sales were 368.12 million Baht, 321.50 million Baht and 352.44 million Baht respectively or 89.57% , 90.08% and 83.81% of the total revenue respectively. This results in the profit of the Company during 2013, 2014 and 2015 at 8.75%, 9.92% and 16.19 % respectively.

In 2013, the Company's costs of sales was 368.12 million Baht or 91.25% of total sales, while in 2012, the costs of sales was 400.89 million Baht or 84.49 of total sales. The costs of sales had increased 32.77 million Baht or 6.75% with the following reasons;

- The labour costs had increased 8.96 million Baht or 2.43% of the total sales and the labour costs for external labour had increased 18.47 million Baht or 5.02% of costs of sales. The increased in labour costs both internally and externally are the result from the government's Minimum Wage policy.
- Depreciation expenses had increased 2.87 million Baht or 0.78% of the costs of sales. This is because the Company had invested more in machineries and factory equipment in the year 2013 in order to increase production efficiency.

In 2014, the Company's costs of sales was 321.50 million Baht or 90.08% of the total sales while in 2013, the costs of sales was 368.12 million Baht or 89.57% of total sales. This means that the costs of sales have decreased 46.62 million Baht or 12.66% due to the reduction in sales of 46.54 million Baht or 11.54%.

In 2015, the Company's costs of sales was 352.44 million Baht or 83.81% of the total sales while in 2013, the costs of sales was 321.50 million Baht or 90.08 of total sales. This means that the costs of sales have increased 30.94 million Baht or 9.62% due to the increased in sales of 62.46 million Baht or 17.83%

### Selling and Management Expenses

Most of the Company's sales expenses were fixed costs, for example, bonus, OT, Sales incentives and delivery fees. In 2013, 2014 and 2015 the sales expenses of the Company were equal to 6.41 million Baht , 7.26 million Baht and 7.17 million Baht respectively or 1.56% , 2.03% and 1.71% of the total revenue respectively.

In 2013, the selling expenses had increased 10.59% in comparison to 2012. This is the result of Sales Team adjustment by targeting new group of customers and to aim for being the first tier of Aluminum Casting Industry, as well as penetrating the market to increase casting production line and other forms of metal extrusion.

In 2014, the sales expenses were increasing 13.26% when compared to the same period of time in the previous year. This is due to an adjustment in the sales team by exploring new clients and striving to be the first tier company for the Aluminum die-casting in the industry, including penetrating the market in terms of expanding the die-casting production line and other forms of metal injection molding.

In 2015, the sales expenses were have decreased 0.09% when compared to the same period of time in the previous year. This is due to an adjustment in the sales team by exploring new clients and striving to be the first tier company for the Aluminum die-casting in the industry, including penetrating the market in terms of expanding the die-casting production line and other forms of metal injection molding.

In 2013, 2014 and 2015, the management expenses of the Company were 49.35 million Baht , 49.61 million Baht and 57.45 million Baht respectively or 12.23% , 13.90% and 13.66% of the total revenue in the same period respectively.

In the year 2013, the management expenses had reduced 5.69% compared to 2012 as the result of the decrease in the staff bonuses from 2-3 months to 1 month, since the performance and sales were slowing down in 2013.

In 2014, the management expenses have increased 0.26% comparing to 2013. This is because some of the fixed costs in 2013 have been adjusted such as the annual salary adjustment.

In 2015, the management expenses have increased 15.80% comparing to 2013. This is because some of the fixed costs in 2015 have been adjusted such as the annual salary adjustment. And bonus payment for permanent employee 49.67% and 57.45% respectively.

### Operating Profit Margin and Net Profit Margin

In 2013, the Company's operating loss was 20.45 million Baht or the operating loss ratio of 5.07%. The loss during the said period was from the increased in labour costs both internally and externally as the result of the government's Minimum Wage policy, and also from the situation of the domestic economy where the automobiles business had been slowing down from the cancellation of the government's First Car Policy's pre-order which resulted in the delay of the consumers' orders.

In 2014, the Company made a loss from business operations equal to 21.90 million Baht or 6.02% loss from the total revenue. The main cause of the loss from operations was the increase in wage rate, resulting in the higher salary rate both inside and outside of the Company. This is due to the enforcement of the government's minimum wage policy, together with the reduction in sales from the domestic economic down turn, the stunt in the automotive industry from the cancellation of the orders from government's 1<sup>st</sup> car policy causing the delay in the customers' orders.

In 2015, the Company made the Company made a profit from business operations equal to 3.44 million Baht or 0.82% loss from the total revenue. Due to increasing of sale order 17.82% and increasing of gross profit margin 92.33% from last year.

In 2013, 2014 and 2015, the net profits were equal to -14.58 million Baht , -16.40 million Baht and -3.13 million Baht respectively -3.61% , -4.60% and -0.74 % of the total revenue respectively

The net loss income of the Company in the year 2013 was 14.58 million Baht or 184.52% decrease when compared with the net income of 17.24 million Baht in 2012. This is due to the situation of the domestic economy where the automobiles business had been slowing down from the cancellation of the government's First Car Policy's pre-order which resulted in the delay of the consumers' orders, and from the increased in labour costs both internally and externally as the result of the government's Minimum Wage policy.

The net loss of the Company in 2014 was equal to 16.40 million Baht or a 12.48% increase when compared with the same period of time from the previous year with the net loss of 14.58 million Baht. This is due to the economic situation domestically with the stunt in the automotive industry from the cancellation of the orders from government's 1<sup>st</sup> car policy causing the delay in the customers' orders, and the increase in wage rate, resulting in the higher salary rate both inside and outside of the Company as a result of the government enforcing the minimum wage policy.

The net loss of the Company in 2015 was equal to 3.13 million Baht or a 80.94% increase when compared with the same period of time from the previous year with the net loss of 16.40 million Baht. With regard to higher amount of goods selling, it does make higher gross profit margin and obtain lower interest .

**Return on Equity**

The return on equity in 2013, 2014 and 2015 were -10.34% , -12.88% and %-1.73 respectively.

In 2013, the return on equity was decreasing in comparison with 2012 due to the situation of the domestic economy where the automobiles business had been slowing down from the cancellation of the government's First Car Policy's pre-order which resulted in the delay of the consumers' orders, and from the increased in labour costs both internally and externally as the result of the government's Minimum Wage policy. Additionally, the Company paid out its dividend to shareholders with payout ratio for the performance year of 2011 at 56.92%.

The return on equity in 2014 is decreasing from the same period in 2013. This is due to the economic situation domestically with the stunt in the automotive industry from the cancellation of the orders from government's 1<sup>st</sup> car policy causing the delay in the customers' orders, and the increase in wage rate, resulting in the higher salary rate both inside and outside of the Company as a result of the government enforcing the minimum wage policy.

The return on equity in 2015 is increasing from the same period in 2014. This is due to the economic situation domestically with the stunt in the automotive industry from the cancellation of the orders from government's 1<sup>st</sup> car policy causing the delay in the customers' orders, and the increase in wage rate, resulting in the higher salary rate both inside and outside of the Company as a result of the government enforcing the minimum wage

**19.2 Financial Status****Assets**

The Company, at the end of 2013, 2014 and 2015, has the total assets of 341.40 million Baht, 344.99 million Baht and 332.88 million Baht respectively. The assets of the Company are as follows;

The current assets at the end of 2013, 2014 and 2015 were equal to 123.73 million Baht, 116.93 million Baht and 125.73 million Baht respectively or 36.32% , 33.89% and 37.78% of the total assets of the Company respectively. Most of the current assets of the Company consist of trade receivables, other receivables and inventories, which match the characteristics of the factory that produces goods for sales. The items of the said current assets will adjust into the same direction as sales. The non-current assets of the Company mostly consist of lands, buildings and equipment.

The Company, at the end of 2013, 2014 and 2015, has the total non-current assets of 217.67 million Baht , 218.06 million Baht and 207.09 million Baht or 63.68% ,65.09% and 62.22% of the total assets respectively.

**Account Receivables and Allowance for Doubtful Debts**

At the end of 2013, 2014 and 2015, the Company's account receivables were amounting 51.60 million Baht , 49.99 million Baht and 46.48 million Baht respectively. The reduction in the account receivables in 2013 was due to the cancellation of the orders from government's 1<sup>st</sup> car policy causing the delay in the customers' orders. In 2013, 2014 and 2015, the Company's turnover ratio of the account receivables was 6.97 times , 7.03 times and 8.72 times respectively.

The Company issues a policy to allow payment terms for the customers between 30 to 60 days where the Company will consider the lengths from the previous activities, purchasing orders and past payments.

Unit: Million Baht

Repayment Period	31 Dec 2013		31 Dec 2014		31 Dec 2015	
	amount	%	amount	%	amount	%
Account Receivables (not yet due)	36.76	89.46	43.51	89.09	39.78	87.28
Overdue						
1 – 30 days	4.05	9.86	4.86	9.95	5.31	11.65
31 – 60 days					-	-
61 – 120 days	0.28	0.68	0.48	0.98	0.49	1.08
More than 120 days	-	-	-	-	-	-
<b>Account receivables before doubtful debts</b>						
<u>Allowance</u> for Doubtful Debts	-	-	-	-	-	-
<b>Gross Account Receivables</b>	<b>41.09</b>	<b>100</b>	<b>48.84</b>	<b>100</b>	<b>45.58</b>	<b>100</b>

The Company records the doubtful debts by estimating the debts that may occur from uncollected debts per payment terms. However, the Company takes into account of the estimation the past collection experience, outstanding debts and the economic situation at the time by first considering the receivable that had an outstanding debts of more than 365 days and with no movements. This will be evaluated one by one and will be set the allowance for doubtful debts 100% out of the outstanding debt.



Inventory Stocks

At the end of 2013, 2014 and 2015, the Company had the total inventories of 41.16 million Baht , 47.20 million Baht and 46.84 million Baht respectively.

Unit: Million Baht

Repayment Period	31 Dec 2013		31 Dec 2014		31 Dec 2015	
	amount	%	amount	%	amount	%
Finished Goods	14.14	34.35	19.00	40.25	22.75	48.58
Work in Process	23.48	57.05	25.57	54.17	18.51	39.53
Ingredients	1.43	3.47	1.91	4.05	2.63	5.62
Spare Parts	3.33	8.09	3.82	8.09	3.96	8.46
<b>Total</b>	<b>42.38</b>	<b>102.96</b>	<b>50.30</b>	<b>106.57</b>	<b>47.85</b>	<b>102.18</b>
Allowance for write – down of inventory	1.22	2.96	3.10	6.57	1.02	2.18
<b>Total Inventory Stocks</b>	<b>41.16</b>	<b>100</b>	<b>47.20</b>	<b>100</b>	<b>46.83</b>	<b>100</b>

In 2013, the inventory stock is equal to 41.16 million Baht, divided into the Finished Goods and work in process, amounting to 34.35% and 57.05% respectively. This is a decrease when compared to the year 2012 since the cancellation of the pre-ordered cars from the government's First-Cars Policy had affected the orders of the customers and slowed down the production.

In the year 2014, the total inventory was 47.20 million Baht with the Finished Goods and work in process, as 40.25% and 54.17% respectively.

In the year 2015, the total inventory was 46.83 million Baht, with the Finished Goods and work in process, as 48.58% and 39.53% respectively.

In 2013, 2014 and 2015, the Company's inventory turnover ratio was 8.80 times , 7.28 times and 7.50 times respectively.

The Company has the policy of establishing an allowance for diminution in value of depreciative, damaged, out-of-date or overdue inventories by taking into account the net realizable value which is derived from the difference between the costs and sales prices. The Company will record the loss from diminution in value as costs in the profit and loss statement. However, since the Company operates in selling the machineries parts, therefore the parts may have special characteristics which are suitable for certain products in a particular group of customers, making the diminution value of the products quite low. During the year 2013, 2014 and 2015, the Company's allowance for diminution in value was 1.22 million Baht , 3.10 million Baht and 1.02 million Baht respectively, or 2.96% , 6.57% and 2.18% of the inventories respectively.

### Lands, Building and Equipment

At the end of 2013, 2014 and 2015, the Company's assets in terms of lands, buildings and equipment were equal to 194.83 million Baht , 193.43 million Baht and 187.55 million Baht respectively, or 57.07% , 57.74% and 56.35% of the total assets.

In 2013, the Company had invested in lands, buildings and equipment for 32.60 million Baht by investing in the Sand Casting machine to add variety in the production line and a furnace to reduce the use of Liquefied Natural Gas (LNG) which was used as fuel and increase the price of the furnace.

In 2014, the Company had invested in lands, buildings and equipment for 19.13 million Baht by investing in the machine and land in order to support production and increase capacity in coming future.

In 2015, the Company had invested in lands, buildings and equipment for 15.81 million Baht by investing in the machine and land in order to support production and increase capacity in coming future.

### Cash Flow from Operating Activities

In 2013, the Company's net cash from operating activities was equal to 10.73 million Baht, a decrease from the year 2012 due to the drop in sales. The main items are; loss before tax at 21.05 million Baht, depreciation and amortization at 26.37 million Baht, account receivables and other receivables had decreased at 12.51 million Baht, the inventory stock had decreased 7.96 million, other current assets had increased 11.01 million Baht, account payable and other payables had decreased 12.80 million Baht and other current assets had decreased 11.59 million Baht. Additionally, the Company made a loss in amortization at 2.09 million Baht, profit from depreciation 6.65 million Baht.

In 2014, the Company received net cash flows from business operations amounting to 13.80 million Baht, which is an increase from the previous year with the following details; loss before income tax of 21.90 million Baht, depreciation and amortization expenses of 26.15 million Baht, reduction in account receivables and other receivables of 1.61 million Baht, the inventory stock had increased 7.92 million, other current assets had increased 2.27 million Baht, account payable and other payables had decreased 2.32 million Baht and other current assets had increased 12.60 million Baht,

In 2015, the Company received net cash flows from business operations amounting to 24.83 million Baht, which is an increase from the previous year with the following details; profit before income tax of 2.62 million Baht, depreciation and amortization expenses of 27.37 million Baht, reduction in account receivables and other receivables of 3.50 million Baht, the inventory stock had increased 2.45 million Baht, other current assets had increased 6.47 million Baht, account payable and other payables had decreased 14.10 million Baht, and other current assets had increased 10.10 million Baht,

**Investing Activities**

In 2013, the Company used cash on investing activities as indicated in the budget for 19.13 million Baht. The main items are; investing in machineries and equipment for 32.60 million Baht, and buying the Intangible Asset 1.36 million Baht selling of and renting back the machineries for 14.83 million Baht.

In 2014, The Company used cash for investing activities in accordance with the budget for the total of 18.79 million Baht. The significant items are expenses for buying equipment and machineries at 19.13 million Baht and buying the intangible asset 0.16 million Baht and selling the machineries and rent back for 0.50 million Baht.

In 2015, The Company used cash for investing activities in accordance with the budget for the total of 15.93 million Baht. The significant items are expenses for buying equipment and machineries at 15.81 million Baht and buying the intangible asset 0.16 million Baht and selling the machineries and rent back for 0.07 million Baht.

**Cash Flow from Financing Activities**

In 2013, the Company received cash from financing activities, in accordance with the budget, amounting to 8.82 million Baht, with the main reason being to pay back the overdraft account and short-term loan from financial institution for 4.37 million Baht, to pay back long-term loan from financial institution for 11.46 million Baht, pay back debts under financial lease for 11.72 million Baht, pay out dividend for 8.80 million Baht, interest payment for 8.17 million Baht and for the sales of common stocks for 53.35 million Baht.

In 2014, the Company used the cash from cash financing activities for the total of 8.87 million Baht. The main cause for this is the reimbursement of the overdrafts and the short term loans from financial institutions amounting to 4.37 million Baht, the long term loans from financial institution amounting to 11.98 million Baht, liquidating the finance lease for 13.12 million Baht, interests payment for 7.21 million Baht and receiving from the selling of common stocks for 2.20 million Baht.

In 2015 the Company used the cash from cash financing activities for the total of 9.24 million Baht. The main cause for this is the reimbursement of the overdrafts and the short term loans from financial institutions amounting to 19.02 million Baht, the long term loans from financial institution amounting to 12.44 million Baht, liquidating the finance lease for 12.06 million Baht, interests payment for 6.80 million Baht and receiving from the selling of common stocks for 55.91 million Baht.

**Current Ratio**

In 2013, 2014 and 2015, the Company's liquidity ratio were 0.71 times , 0.59 times and 0.91 times respectively and the quick ratio of the same periods were 0.47 times , 0.35 times and 0.57 times respectively.

In 2013, 2014 and 2015, The Company had the average debts collecting time of 52.37 days ,51.92 days and 41.86 days respectively. Since 2011, the economy has been improving which lessened the period of time for debts collection to normal. However, in 2013, the cancellation of the orders from government's 1<sup>st</sup>

car policy caused the delay in the customers' orders, causing a drop in sales and increased the average debt collection time.

In 2013, 2014 and 2015, the Company had an average products selling time of 41.48 days , 50.14 days and 48.67 days respectively. By average, the timing of goods selling are in normal. For the year 2013 and 2014, the cancellation of the orders from government's 1<sup>st</sup> car policy caused the delay in the customers' orders, causing a drop in sales and increased the average debt collection time.

In 2013, 2014 and 2015, the Company had average time for settlement equal to 71.85 days, 101.39 days and 80.04 days, respectively.

In 2011 and 2012, the financial crisis was extricated, as a result of customer payment was resumed to normal situation. Thenceforward, the extension period of settlement is not necessary to keep. The average time of settlement is minimized and back to normal business . Then in 2013 the cancellation of the orders from government's 1<sup>st</sup> car policy caused the delay in the customers' orders, causing a drop in sales and increased the average debt collection time.

		2013	2014	2015
Current Ratio	Times	0.71	0.59	0.91
Quick Ratio	Times	0.47	0.35	0.57
Average Collection Period	Days	52.37	51.92	41.86
Inventory Turnover	Days	41.48	50.14	48.67
Average Repayment Period	Days	71.85	101.39	80.04
Cash Cycle	Days	22	0.67	10.49

### Source of Investment Funds

#### Debts

In 2013, 2014 and 2015, The Company's current liability was equal to 173.11 million Baht , 197.47 million Baht and 138.03 million Baht respectively. The non-current liability was equal to 27.33 million Baht , 10.10 million Baht and 13.55 million Baht respectively.

In 2013, the Company's current liabilities amount to 173.11 million Baht and non-current liabilities amount to 27.33 million Baht. However, the total loans had decreased from the year 2012 since the payment have been made.

In 2014, the Company's current liability was 197.47 million Baht consisting of these significant items as follows; 56.70 million Baht of the short term loans from the financial institution, 77.86 million Baht of the account receivables and other receivables, 21.11 million Baht of the debts due within the year, 21 million Baht of the short term loan from relating individuals or businesses, 20.81 million Baht of the other current liabilities and 10.10 million Baht of the non-current liabilities.

In 2015, the Company's current liability was 138.03 million Baht consisting of these significant items as follows; 37.68 million Baht of the short term loans from the financial institution, 63.72 million Baht of the account receivables and other receivables, 10.92 million Baht of the debts due within the year, 15.00 million Baht of the short term loan from relating individuals or businesses, 10.71 million Baht of the other current liabilities and 13.55 million Baht of the non-current liabilities.

(Unit: million Baht)

	31 Dec 2013	31 Dec 2014	31 Dec 2015
Overdraft Account and Short-term Loans from Financial Institution	61.07	56.70	37.68
short-term loans from related parties	-	21.00	15.00
Long-Term Loans	16.62	4.17	1.36
Long-Term Loans due within 1 Year	23.49	21.11	10.92
Total Funds	101.18	102.98	64.96

At the end of 2013, 2014 and 2015, the Company's debt to equity ratio was 1.42 times ,1.63 times and 0.84 times respectively. In 2012, the debt to equity ratio was on an increasing trend when compared to the year 2011. This is because there was an increase in loans for working capital, in order to support the sales expansion. Moreover, the Company had invested in lands, expanding the factory and investing in machineries to increase production capacity. In 2013, the debt to equity ratio had decreased because the issuing of the common stocks, for 53.35 million Baht, resulted in the increase in the number of shareholders.

#### Shareholder's Equity

On 31<sup>st</sup> December 2013, the Company's shareholder's equity was worth 140.96 million Baht. The increase in shareholder's equity was the result from the sales of stock to increase investment in stock exchange MAI at 53.35 million Baht, dividend payout at 8.80 million and the performance of the year 2013 where the Company's net loss income was equal to 14.58 million Baht.

On the 31<sup>st</sup> of December 2014, the Company's shareholders' equity was equal to 127.43 million Baht. The main cause for the reduction in the shareholders' equity was that in 2014, the Company made a net loss of 16.40 million Baht, the common stock pain was increased 0.78 million Baht, premium on common stocks was 1.43 million Baht and the derivative warrants was 0.67 million Baht.

On 31<sup>st</sup> December 2015, the Company's shareholders' equity was equal to 181.24 million Baht. The main cause for the increased in the shareholders' equity was that in 2015, the Company made a net loss of 3.13 million Baht, the common stock pain was increased 37.76 million Baht, premium on common stocks was 20.46 million Baht and the derivative warrants was 1.27 million Baht.

**Factors and influences that may affect the operation or the financial status in the future**

Factors and influences that may affect the operation or the financial status of the Company in the future, in addition to the risk factors (3), are the fully-diluted basis, since after the sales of stocks to the public, the numbers of stocks in the Company will increase from 226 million shares to 300 million shares, and Which will result in a net loss per shares following the financial statement of 2015 that calculated based of the fully-diluted basis by using the numbers of shares after selling to the public as the base of the calculation. This reduces the value to 0.012 Baht per share from the original 0.074 Baht per share.

However, in order to use the net profit per share on a fully-diluted basis, one must consider the benefits from using the money from increasing capital to use as investment for expanding the factory and increasing the production capacity and using as working capital under the objectives of the funds.

**“ We deliver the best for your satisfactions”**

