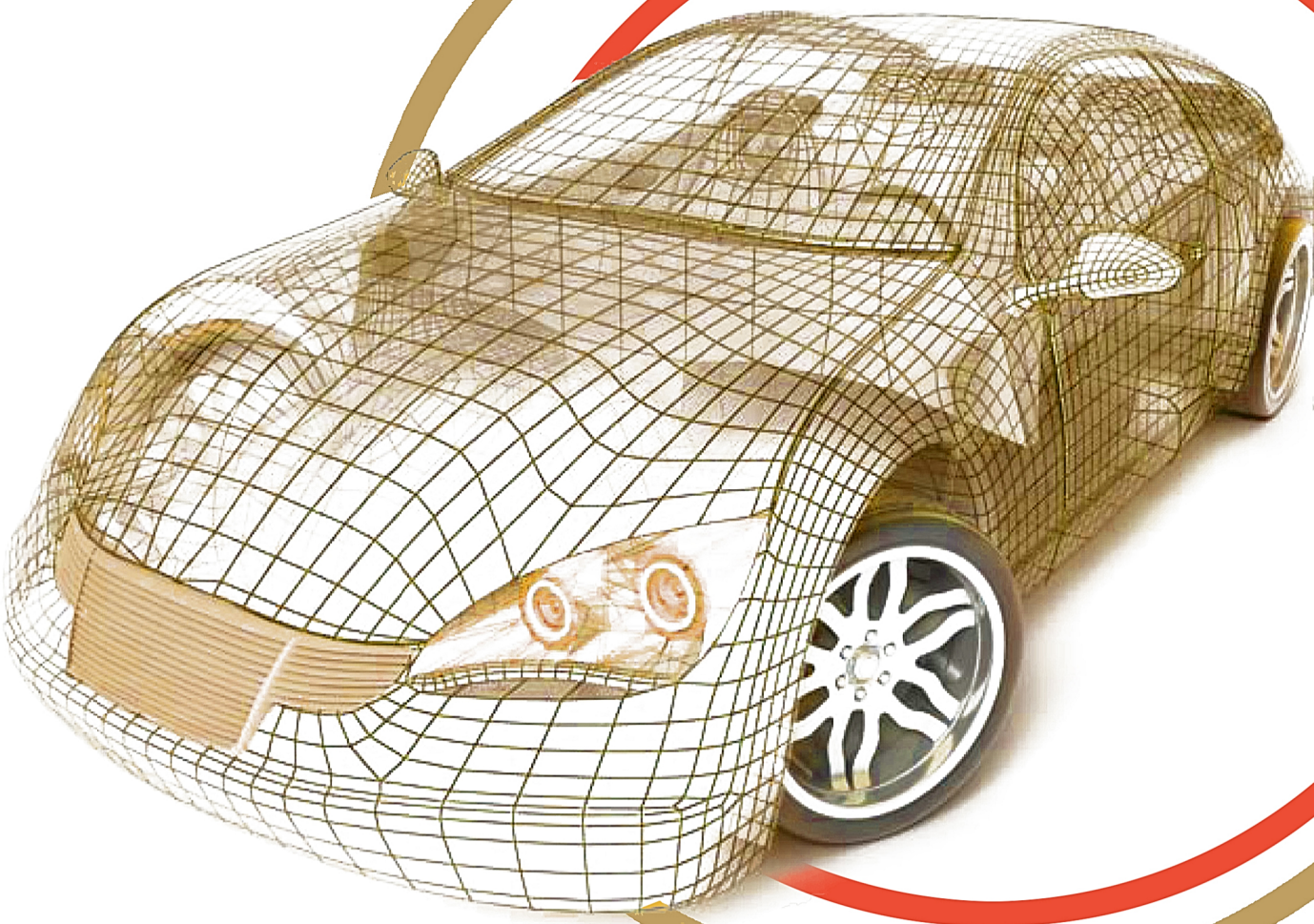
SANKO DIECASTING
(THAILAND) PUBLIC COMPANY LIMITED



ANNUAL REPORT
2013

CONTENTS

1.	Message from Chairman of the Board	1
2.	Board of Directors	2
3.	Policies and Overview of Business	4
4.	Nature of Business	10
5.	Risk Factors	37
6.	Company profile and general information	43
7.	Assets and Shareholders Information	45
8.	Dividend Policy	48
9.	Organization Chart	49
10.	Corporate Governance	61
11.	Corporate Social Responsibility (CSR)	71
12.	Internal control and risks management	74
13.	Inter Company Transaction	77
14.	Important Financial Information	138
15.	The Annual Audit Committee Report for the Year 2013	148
16.	Management Discussion & Analysis	151

** 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 or at the Company's website http://www.sankothai.net

1. Message from Chairman of the Board



Mr. Masami Katsumoto

Chairman of the Board

Sanko Diecasting (Thailand) Public Company Limited, had become a new member of the Market for Alternative Investment (MAI) in 2013. The Company is fully aware of all its commitment in performing the duty of overseeing all operations under a strict rules and regulations, so that the investors and all stakeholders can be confident in our transparent and accountable management

In terms of sustainable growth, **the Company aims to maintain the quality of the products to meet the required standards of the customers, in order to satisfy the demands of our precious customers, by using up-to-date technology, fast respond, and ensure the highest customers satisfaction.** In addition, the Company gives it utmost importance to the full integrated services, by investing into new machineries with modern production techniques, in order to support a variation of the customers' requests, as well as the policy to continuously develop the human resource to be a important force in producing the best quality products and mastering new innovations for the industry and help the Company to grow sustainably.

On behalf of the Board of Directors and management, I would like to thank our shareholders for the trust, confidence and support that you have given us all these years.

2. Board of Directors



Mr. Masami Katsumoto

Chairman of the Board

Mr. Naohiro Hamada

Director





Mr. Rattawat Suksaichol

Director

Mrs. Somsri Duangprateep

Director





Mr. Sopon Boonyaruttapunth

Director



Ms. Valaiporn Kanignunta **Independent Director / Chairman of the Audit Committee**



Mr. Nipan Tungpiruttham **Independent Director / Audit Committee**



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

3. Policies and Overview of Business

a. 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

The Company has a commitment to manage and produce under the principles of good governance. Fairness and transparency to stakeholders, society and the environment is essential.

Missions

- Good corporate governance through active involvement in its associations.
- To produce the highest quality products in a sustainable and to environmentally friendly way, in order to ensure the safety of staff members and the community.
- Continuously developing innovative ideas, human resources and business management to being a high performance organization.

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.

3.2 Changes and Important Developments

1996

January 1996 : 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 1996 : 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 2004 : 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 2005 : 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 2006 : 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 2008 : 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 2008 : 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 2008 : 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 2008 : 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 2009 : 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 2009 : The decision was made at the 2nd General Shareholders Meeting on 15th 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 2011 : The decision was made at the 1st General Shareholders Meeting on 10th 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 2012 : The decision was made at the 1st General Shareholders Meeting on 30th 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 2012 : 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 2013 : The Company trades its stocks for the first day in the Stock Exchange of Thailand.

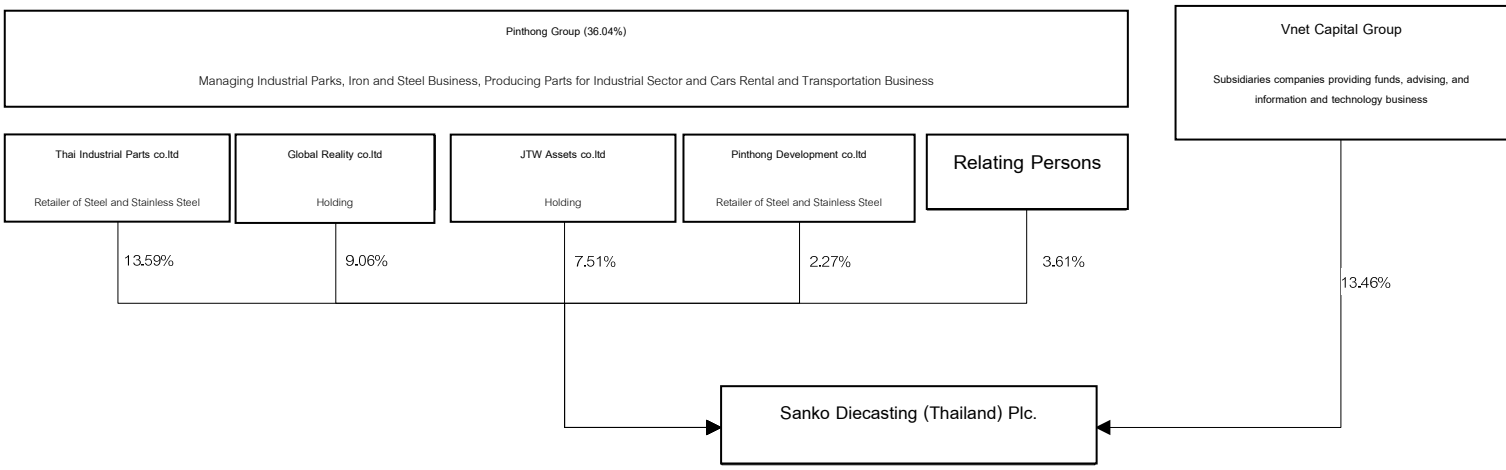
September 2013 : The Company had form a contract to buy lands in the Rojana Industrial Park, T. Nongbua, A. Ban-khai, Rayong, with the size of 5.1585 Rai. The land has areas adjacent to the Company's factory which will be expanded. Some portion of the deposit had already been paid and the rest will be paid, together with the transfer at the beginning of 2014.

3.3 Company's Shareholding Structure

The Company has no subsidiaries or associates companies.

3.4 Relationship with the Business Groups of Major Shareholders

3.4.1 Diagram showing the structure of the overall companies of the major shareholders



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.

The Vnet Capital co.,ltd consists of groups of companies which provide support in funding, advising and operating business relating to information and technologies.

3.4.2 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
Jutha Wan co.,ltd	Shares the same Director with the Company who is Mrs. Somsri Duangprateep and is under the control of one major shareholder, the Pinthong Group[1/], which holds the shares of the Company both directly and indirectly, for 36.04% 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 Mrs. Somsri Duangprateep and is under the control of one major shareholder, the Pinthong Group[1/], which holds the shares of the Company both directly and indirectly, for 36.04% of all the registered and paid-in capitals.
Rica JTW Heat Treatment co.,ltd	Under the control of one major shareholder, the Pinthong Group[1/], which holds the shares of the Company both directly and indirectly, for 36.04% of all the registered and paid-in capitals.
Excel Metal Forging 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[1/], which holds the shares of the Company both directly and indirectly, for 36.04% of all the registered and paid-in capitals.

Persons with Possible Conflict of Interests	Relationships
Umphon co.,ltd	Under the control of one major shareholder, the Pinthong Group[1/], which holds the shares of the Company both directly and indirectly, for 36.04% of all the registered and paid-in capitals.
Oriental Estate co.,ltd	In the past, shared the same Director with the Company who is Mrs. Somsri Duangprateep and is under the control of one major shareholder, the Pinthong Group[1/], which holds the shares of the Company both directly and indirectly, for 36.04% of all the registered and paid-in capitals.
I-Vision Solution co.,ltd	Shares the same Director with the Company who is MrSopon Boonyaruttapunth and is under the control of one major shareholder, the Vnet Capital co.,ltd[2/], which holds the shares of the Company both directly and indirectly, for 13.46% of all the registered and paid-in capitals.

Remarks:

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

The Vnet Captital co.,ltd consists of its Subsidiaries companies providing funds, advising, and information and technology business

4. Nature of Business

4.1 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.

4.1.1 Company's revenue structure

Company's revenue structure can be classified into major product lines from 2011 to 2012 as follows;

(unit: million)

Revenue	2011		2012		2013	
	Unit	%	Unit	%	Unit	%
1. Revenue from sales of parts	**326.10**	**89.90**	**434.61**	**89.23**	**335.62**	**81.66**
Car parts	191.03	52.68	274.45	56.35	211.95	51.57
Motorcycle parts	85.29	23.52	93.76	19.25	71.34	17.36
Electronic parts	29.96	8.26	39.07	8.02	33.63	8.18
agricultural machinery parts and others	19.73	5.44	27.33	5.61	18.70	4.55

Revenue	2011		2012		2013	
	Unit	%	Unit	%	Unit	%
Total Revenue from Sales	**349.80**	**96.46**	**459.16**	**94.27**	**395.75**	**96.29**
Revenue from services[1/]	-	-	15.32	3.14	7.69	1.87
Total revenue from sale and service	**349.80**	**96.46**	**474.48**	**97.42**	**403.44**	**98.17**
Other revenue[2/]	12.83	3.54	12.59	2.58	7.54	1.83
Total revenue	**362.62**	**100.00**	**487.07**	**100.00**	**410.98**	**100.00**

Note: 1 / revenues from service in 2012 and 2013 are from the agreement of being a technical assistance to a motorcycle parts manufacturing company in India, worth 24.60 million baht.

2 / 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.

4.1.2 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 2011 and 2012 is equal to 8.83 percent and 3.09 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;

4.1.1.1 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	

Categories	Parts	Parts Details	Sample Parts Pictures
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	
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	 

Categories	Parts	Parts Details	Sample Parts Pictures
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	

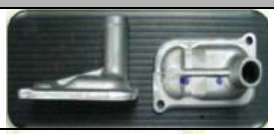




The products in this category are parts and molds for the equipment and cars parts, consisting of alternator, starter, bracket compressor, fan clutch, hanging air pipe, safety belt and shaft wiper control sets. The main clients are the parts producing companies which assemble the parts into tools and 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 2011, 2012 and 2013 of 203.72 million Baht, 284.61 million Baht and 234.64 million Baht respectively, or 58.34%, 59.98% and 58.16% of total revenue from sales and services in the same period respectively.

4.1.2.2 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	 
	PR Plate	Components on the top clutch cover	 
	PR Outer	Components for the side clutch cover	 
	PR Lifter	Component to lockdown clutch system	

Categories	Parts	Parts Details	Sample Parts Pictures
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 2011, 2012 and 2013 was equal to 91.77 million Baht, 102.05 million Baht and 104.56 million Baht respectively, or 26.24%, 21.51% and 25.92% of the total revenue from sales and services in the same period respectively.

4.1.2.3. 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	
	Bracket Case	Parts for the dome CCTV camera	

Categories	Parts	Parts Details	Sample Parts Pictures
Dome CCTV Camera (cont.)	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	





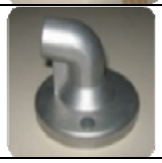




The products in this category are parts and molds for the equipment and electronic goods parts such as CCTV camera, video recorder, Air-condition compressor's lid and intercom system. The main clients for this category are the electronic goods parts producing and assembling companies. The Company's revenue from this group in 2011, 2012 and 2013 was equal to 34.20 million Baht, 43.43 million Baht and 37.86 million Baht respectively, or 9.78%, 9.15% and 9.38% of the total revenue from sales and services in the same period respectively.

4.1.2.4 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 tightenning 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 2011, 2012 and 2013 was equal to 20.11 million Baht, 29.07 million Baht and 18.70 million Baht respectively or 5.75%, 6.13% and 4.64% 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 2012 and 2013, the Company had earned from this service under the agreement equal to 15.31 million Baht and 7.69 million Baht respectively or 3.23% and 1.64% of the total revenue from sales and services in the same period respectively.

4.1.3 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 Public ltd	Sanko Diecasting Public ltd	Sanko Diecasting Public ltd
Certificate no.	1352/2543	1090(2)/2554	1010(2)/2557
1. Date of promotion	6th July 2008	26th January 2011	7th January 2014
2. Date of enforcing the Promotion Certificate benefits	6th July 2008	1st April 2011	Not yet started
3. Type of business promoted	Producing steel products, including steel parts for automobiles or electronic goods	Producing steel products, including steel parts	Producing steel products, including steel parts
4. Key benefits received			
4.1 Import duties exemption on machineries	Must be imported before 6th July 2010	imported before 26th July 2013	Must be imported before 7th July 2016

Promotion Certificate Owner	Sanko Diecasting Public ltd	Sanko Diecasting Public ltd	Sanko Diecasting Public ltd
4.2 Corporate tax exemption on net profit of the business that is promoted	8 years time-frame 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.	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.
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	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	10 years

4.2 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 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.

4.2.1 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

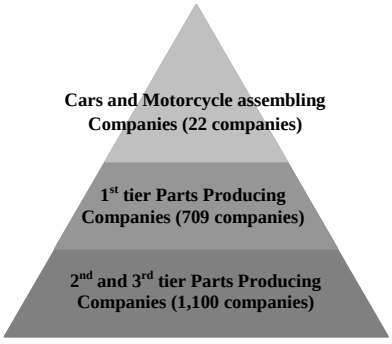
the Company to gain information regarding the business in each industry and can expand the client base into such industries.

4.2.2 The Automotive and Automotive Parts Industries

Automotive Industry

The automotive industry, which consists of the automobile and the motorcycle industries, is considered to be significant to the national economy, both in terms of production, technology, marketing and hiring labour. The Thai Autoparts Manufacturers Association Thailand (Tapma) , states that, the automotive and automotive parts industries in Thailand contribute to more than500,000 employment and also entwine with many other industry, for example the steel industry, rubber, petrochemical and glass. Additionally, the automotive industry in Thailand is considered to be the centre of the global automotive producers. The Thailand Board of Investment (BOI) states that in 2012, the value of this industry is equal to 10% of the gross domestic product (GDP) with exporting value of more than 720,000 million Baht.

Structure Overview of the Automotive Industry

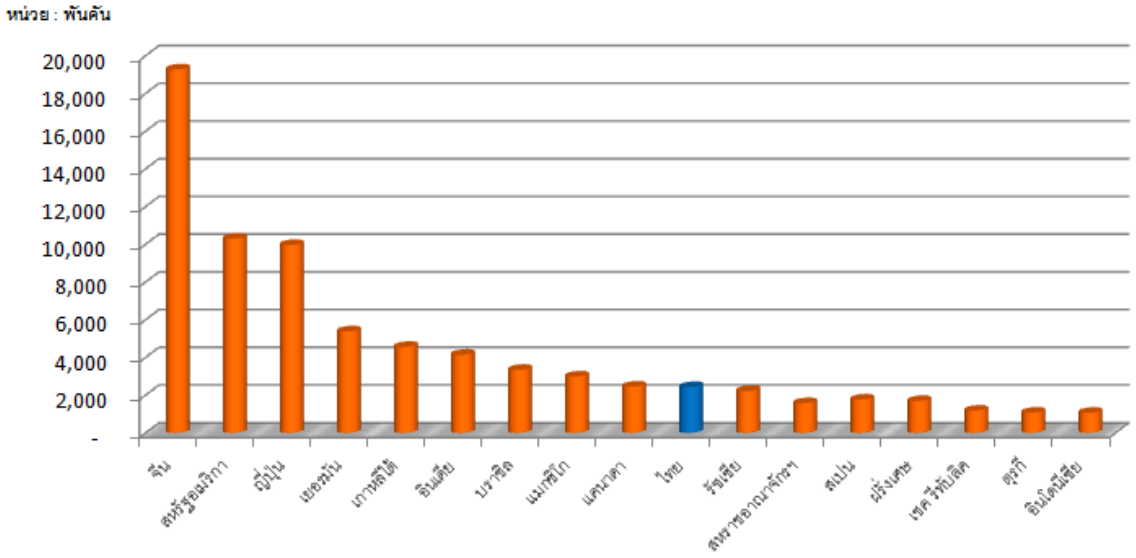


Source: Economist Intelligent Unit, UK (TAI 2010), BOI

The structure overview of the automotive industry can be divided into the cars assembling companies and parts producing companies. The assembling company will employ the 1st tier parts producing companies to produce parts which are used for assembly, where the 1st tier producers may produce some parts themselves while the rest will employ the 2nd tier to produce smaller parts or finding the ingredients for

production. In Thailand, there are 22 cars and motorcycles assembling companies, 709 1st tier parts producing companies and 1,100 2nd and 3rd tier parts producing companies, with many companies that operate by using the high-pressure diecasting technique and are of small to medium size companies in the said group. However, the Company has the advantage in the competition since there are experts who specializes in molds designing, which are very few in Thailand, working within the Company.

Global Cars Production by Volume in 2012



Source: International Organization of Motor Vehicle Manufacturers

The global automobile industry in 2012 had a total cars production of about 75 million cars, a 9.27% increase compared to 2011 with China and the USA having the highest production in the said period at 25.55% and 13.66% of the global total cars produced, respectively. As for the global sales of cars in 2012, the total sale was 68 million cars, 14.47% down from 2010 with China and the USA having the sales ratio of 28.22% and 21.61 respectively. Thailand's car production in 2012 was about 2.4 million cars, or 3.22% of the total cars produced globally, which is a 66.63% increase when compared to 2011. The reason to this is because the business owners started to recover from the flood crisis towards the end of 2011.

According to the Federation of Thai Industries, the automotive industry in 2013 has expanded in comparison to the year 2012 with the total production of cars equal to 2,457,057 cars, or 0.14% increase from 2012. At the same time, the sales of cars in Thailand in 2012 was equal to 1,326,055 cars, a 6.98% decrease from 2012, due to the government's First Car Policy pulling the demands for cars within the year 2012 (source: Quarterly report of the Industrial economic situation of the year 2013, by the Office of Industrial Economics, Ministry of Industry, Thailand)

The total amount of complete built up (CBU) cars in Thailand in the year 2013 was equal to 1,128,152 cars, 10.27% increase compared to 2012. The value of cars exports in 2012 was 512,186.39 million Baht or 4.39% increase compared to the year 2012.

The Volume of Production, Domestic Sales and Exports of Automotive Industry from 1996 – 2014

Source: Thailand Automotive Institute



According to the information from the Federation of Thai Industries, the motorcycle industry in 2013 had produced 2,218,625 motorcycles, a 14.87% decrease when compared to 2012, with the domestic

sales of 2,004,496 motorcycles or a 5.90% decrease but the exports of motorcycles had increase 9.28%, amounting to 50,149.91 million Baht.

From the production plan of cars assembling companies, it is estimated that in 2015, there will be 2,500,000 cars produced, divided into domestic sales 50% and production for exports another 50%. This is due to the adaptation of the industrial sector going back into the normal state of the domestic market and can predict that the international demands will increase. At the same time, the motorcycle market in 2013 had been slowing down compared to 2012, but in 2015, the estimation indicates that there will be 2,415,000 motorcycles produced, divided into 85-90% production for the domestic market and 10-15% production for exports.

Automotive Parts Industry

The production of automotive parts in Thailand can be divided into 2 major categories. These are Original Equipment Market (OEM) and Replacement Equipment Market (REM)

For OEM, the producers will sell the products to cars assembling companies in order to manufacture cars and motorcycles. The demands for automotive parts by this market group will depend on the volume of vehicle production. At the same time, the REM market only acts as replacements for damaged parts or broken due to work. Therefore, the demands to use these replacements will depend largely on the total volume of the domestic vehicles usage.

At present, Thailand can produce a variety of automotive parts and meet the international standard that world class automobile producers accept. This is because the business owner and the producers invest in the researches and develop new technologies to improve the production efficiency. The result is that the automotive parts industry of Thailand can continuously export and compete in the international level. The data from the Federation of Thai Industries show that, the export value of OEM in 2013 was 190,282.75 million Baht, a 12.90% increase from the year 2012. Important markets for the export of OEM are Indonesia, Malaysia and Japan, amounting to 14.65%, 12.25% and 11.68% respectively with the exports

of OEM to Indonesia and Malaysia had increased 4.45% and 17.95% respectively while the exports to Japan had decreased 10.54%

Electronics Parts Industry

The quarterly report of the Industrial economic situation of the year 2013, by the Office of Industrial Economics, Ministry of Industry, Thailand indicates that the electronic goods industries had slowed down a little when compared to the year 2012, with the exports of electronic goods at 53,524.7 million USD, a 1.17% decreased in comparison to the previous year, where the exports of electronic goods in 2013 had decreased 0.45% with decreasing markets in the USA and Japan while the ASEAN countries and the EU markets had increased. As for the exports of electronics in 2013, the volume went down 1.69% compared to the previous year, especially in China where the market had decreased more than 30% from the reduction in the production of computers to the world market. At the same time, the market in the USA had gone up since there were the demands to use computers to develop the Cloud Computing system. Domestically, household electrical goods that have gone down in volume are fans, fridges, hot water bottle and television, due to the economic situation which was slowing down, meaning that consumers are more cautious with their spending. However, air-condition is still increasing as a result from an expansion in residential construction projects in the country and increase in exports to ASEAN since the consumer are more carefree, including wires which expanded from last year. This is because the government had improved the domestic electrical outlets and the demands of computers were replaced with wire-less mobile devices such as tablet or smart phone which can support a wider range of functions.

Estimation was made for 2015 that the electrical good and electronics industries will have risen 2-3% since the US market still has high demands. In addition, Industrial Technology Production Index in Japan has a tendency to be better towards the end of 2013. This is a good sign for 2015 to be economically better.

Agricultural Machinery Parts Industry

Thailand has a market size with 70,000 agricultural tractors per year with domestic assembly of 60,000 tractors, 16,917 tractors as imports and 7,891 tractors as exports. At present, there are only 2 domestic producers, the rest are smaller business owners, importing finished parts for assembly in Thailand. Domestic producer has the market shares equal to 70% of all sales, the rest goes to imports (including new cars and second hand cars) and by evaluating the structure of the market by regions, the Northeastern region has the largest marker share with 60% of the total numbers of tractors(*source: The Office of Industrial Economics*)

In terms of production, Thailand can produce its own agricultural machineries to use domestically and to export some portions abroad. However, the majority of the production is still very basic, and must import machineries that have high production technology from abroad, in which the producers in Thailand are at the disadvantage to the Chinese producers in terms of prices and to the American and Japanese producers in terms of quality. As for exports, the main trade partners for the agricultural machineries are the ASEAN countries such as Lao, Cambodia, Burma, Vietnam, Malaysia, Indonesia and Philippines. The Kasikorn Research had estimated that in the first quarter of 2015, the exports of Thailand will still be 2.0% decrease. It can also estimate the trend where the exports to the USA and to the EU will slowly get back up and expand normally, from the beginning of the second half of the year 2013 and should be able to steer the direction favorably, supporting the overall exports of 2015 to expand 3.0-7.0%.

4.2.3 Economic Trends in 2015

From the report of the Thai economy in the 3rd quarter and from the trend of 2013 2014, the Office of Strategic and Macro Economic Planning announced that the global economy is likely to expand 3.5% from 2.9% in the previous year with the USA having 2.5% expansion in 2013 and the EU countries at 1.0%, while Japan has the trend to be slowing down 1.2% as a result from increasing the consumption tax and the Chinese economy is likely to expand 7.5% close to that of last year at 7.6%.

The Thai economy is likely to become better, following the recovery of the global economy, which will result in all exporting sector becoming stronger from the down period in 2013. This will eventually become the base of household spending and increase in investment. When combine this with all the operation according to the government's investment strategy, it is likely that the economy will expand in a very satisfying level in 2015. The stabilization of the economy is above average and that the pressure on inflation has a trend to stay low following the oil price trend and all other global primary products.

4.3 Purchasing Process and Services

4.3.1 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 2013, there are 14,745m^2 of land with 8 buildings consist of 2 office buildings, 1 storey and 3 storey, including 6 factory building and warehouse. In September 2013, the Company had made an agreement to buy the adjacent piece of land to the current factory with 8,254.16 m^2 for 10.317 million Baht and had already paid some portion of the deposits and will pay the rest together with transferring within April 2015 which will result in the Company owning the lands in total about 23,000m^2.

4.3.2 Production Capacity

From 2011 to 2013, the production capacity of the Company is as follows;

Unit: ton

	2011	2012	2013
Production Capacity*	2,164	2,234	2,700
Production Output	1,546	1,950	1,619
Output to Capacity Ratio (%)	71	87	60

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.

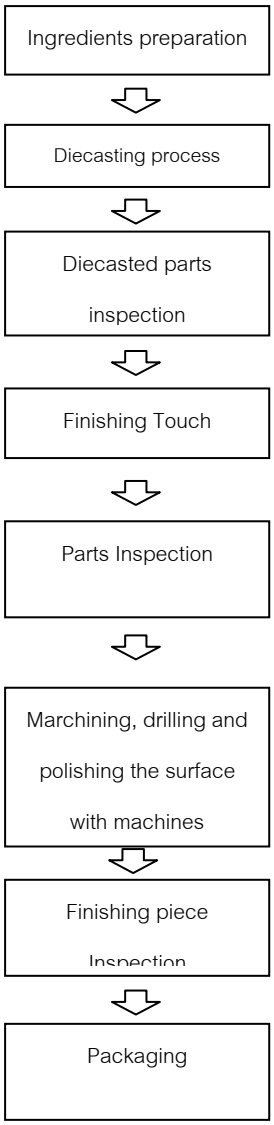
In 2013, the Company invested in more machineries which resulted in an increase in production capacity. However the production of 2013 had been lower than 2012 but closer to 2011. This is due to the recovery from the economic slow-down during the flood crisis in 2011, reducing the production in the year 2012.

4.3.3 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.

4.3.4 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.

4.3.5 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 15th 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.

4.4 Unfinished Projects

The molds for producing parts to be sold to the customers with the pre-paid value of 7,285,040 Baht, is due to the agreement of installed payment with the final installment is the approval of the production.

5. Risk Factors

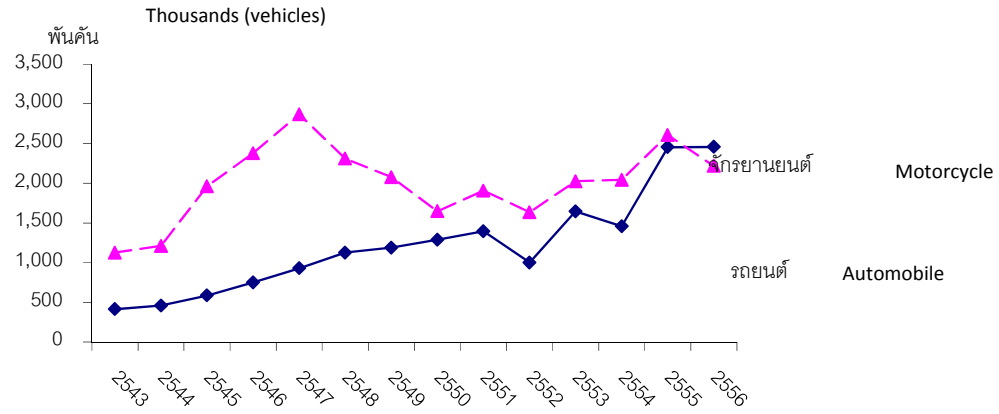
This is the risk factors in the company's business which may significantly affect the operation and the performance of the company. The guidelines for risks prevention can be summarized as follow;

5.1 Risks from the dependency to the automotive industry

In 2013, the company's revenue from selling the products and molds to the customers in the automotive industry is equal to 283.29 million Baht or 84.41% of the total sales and services. This means that the company faces a great income loss if the growth of the automotive industry slows down. An example of this is the affect from the "First-Car Buyer Policy" by the government which had previously drawn the purchasing powers making the sales of cars in the first half of 2013 suffered a large decrease.

However, the company has designed the production line to be flexible so that many kind of equipment can be produced and also increase the variety of machines to perform many different functions. Therefore, the company has the ability to produce items for other industries when the orders from the automotive industry have gone down.

Automobile and motorcycle production statistics from 2000 to 2013



Source: The Federation of Thai Industries (FTI)

5.2 Risks from the dependency to the major customers

The company business revolves around making products by order of the customers where in 2013, the company had 3 major customers to whom the sales value consists of more than 10% each company, totaling to 47.18% of all the sales and services. In the past, the company's income from the top 10 major customers in 2010, 2011, 2012 and 2013 were 85.72%, 77.06%, 80.16% and 72.04% respectively. This

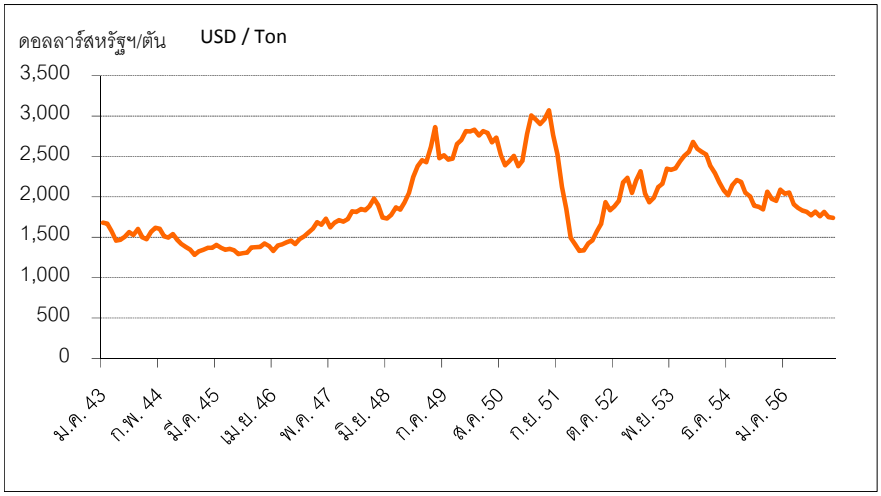
means that the revenue of the company will be affected if those major customers have a change in their purchasing policies.

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.

5.3 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 33.13% of all sales and services in 2013. The price of aluminum has fluctuated greatly since 2005 as can be seen from an increase in the world market price from 1,731 USD per ton in the beginning of June 2005 to 3,071 USD per ton in July 2008, or a 77.40% increase in price during that time. The cause of this rise in price of raw materials is a result from the effect on the supply and demand of the steel users around the globe. Other factors that affect the price are such thing as the exchange rate and the imports tariffs. At present (December 2013) the world price of aluminum is 1,739 USD per ton.

Price of Aluminum from June 2005 to December 2013



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

In response to this, the company can negotiate with some clients to adjust the price according to the costs of the raw materials when the price fluctuates to the level which was agreed upon or the company can review the purchasing terms within a designated period of time. However, the company still carries the risk in the case where it cannot adjust the price to all of the change in costs of the materials, for example the price

fluctuates but to the level that the company can adjust the price or the costs of production increases before the time period where the company can make adjustment to the price. As a precaution, the company has always kept a close watch to the movement of the price of aluminum in the market in order to prevent the effect from such fluctuation.

As for the purchasing of aluminum, the company makes a planned ordering of the raw materials in advance according to the production plan of the company. Moreover, the company had selected the aluminum retailers, 7 in total, who provide the aluminum with the quality that the company needs in order to spread out the purchase and decrease the risk of the shortage in raw materials.

5.4 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.

5.5 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 2013, there are 7 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.

5.6 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 confident 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. Moreover, the company has been certified with quality standard ISO /TS 16949 in the year 2005 and during the year 2012 to 2013, the company had been reported the problem with the products and had to replace or issue a credit note amounting to 2.81% and 1.31% from the sales of aluminum parts and zinc, respectively.

5.7 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 auto mobile 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, in also means that competitors from neighboring countries can compete more in Thailand.

The uncertainty of the political situation in Thailand, which affect the government stability, and the Great Flood during the end of 2012 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.

5.8 Risks from the shortages of labour

At present, many organizations compete aggressively for skilled labours, imposing a risk for the company that it might face a shortage of labour or has to employ workers at a higher rate. The government's 300 baht minimum wage policy means that the average costs labour will have to increase and the skilled labour may move out to find a more suitable work which will directly affect the operation of the company. The costs of labour in the year 2012 and 2013, amount to 18.06% and 17.22% respectively, from the overall sales and services of the company. However, the company has always taken the well-being of the staffs into account and therefore has supported them with many benefits such as food canteen, lunch fees, transportation fees and shuttle buses, in order to prevent the labours from moving out of the company, especially skilled labours which is considered to be the main force of the company. Also, the company has outsourced many of its worker intensive tasks to other companies, such as finishing parts, in order to be more flexible and reduce the effect on labour competition.

5.9 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 36.04% paid - in capital as of 12 February 2014, 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

Name	Type of Business
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.

6. Company profile and general information

6.1 General information

Name of Company (Thai)	:	บริษัท ซังโกะ ไดคาซติ้ง (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	:	113,000,000 Baht
Paid-in Capital	:	110,362,391.50 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

7. Assets and Shareholders Information

7.1 Amount of registered capital and pain-in capital

1) Common Stock

The company has registered capital equal to 113,000,000 Baht (one hundred and thirteen million Baht) which is divided into 226,000,000 common stocks (two hundred and twenty six million stocks) with 0.50 baht per stock. At present, the value of the paid-in capital is equal to 110,362,391.50 Baht (one hundred and ten million, three hundred and sixty two thousand, three hundred and ninety one point fifty Baht).

2) Stock-purchase Warrant

At the first special shareholders meeting 1/2012 held during 30th 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 pain-in capital of the company equal to 113,000,000 Baht, consisting of 226,000,000 common stocks at 0.50 Baht per stock.

7.2 The names of the shareholders of the company, whose name are present in the shareholders register as of 12th February 2014, are as follows;

No.	Names	12th February 2014	
		Number of stocks	Percentage (%)
1	**Pinthong Group**[1/]	**79,540,800**	**36.04**
	- Thai Industrial Parts Co.,ltd	30,004,200	
	- Global Reality Co.,ltd	20,000,000	
	- JTW Assets Co.,ltd	16,579,200	
	- Pinthong Development Co.,ltd	5,000,000	
	- Mrs. Somsri Duangprateep	2,000,000	
	- Mr. Naohiro Hamada	2,000,000	
	- Mr. Suren Suwanwonkij	1,100,000	
	- Mr. Somchai Benjasiriroj	500,000	
	- Mr. Sujin Rienwiriyakij	500,000	
	- Miss Arunee Leumprapangkul	272,200	
	- Mr. Kiatisak Jirakajornwong	200,000	
	- Mrs. Napaporn Karnjanatawee	200,000	
	- Mr. Sukachai Wiwatthanawuttiwong	200,000	
	- Mr. Sompong Vesarachasart	160,000	
	- Miss Nana Pattamaworakulchai	150,200	
	- Mr. Chokechai Wacharanirankul	150,000	

No.	Names	12th February 2014	
		Number of stocks	Percentage (%)
	- Mr. Chanin Phupipathiranyakul	100,000	
	- Miss Malee Jaraswuttiwong	100,000	
	- Mr. Pee Pattamaworakulchai	100,000	
	- Miss Vanida Katesudapornsak	100,000	
	- Mrs. Laksana Klaithai	75,000	
	- Mr. Aumnuay Sarmpanpuang	50,000	
2	**Vnet Capital Group** [2/]	**49,200,000**	**13.46**
	- Mr. Narong Inthanate	26,490,600	
	- Mr. Sopon Boonyaruttapunth - Mr. Wongchai Harusadeechawalitra	2,411,100	
	- Mr. Thongchai Pakwattanachai	458,700	
	- Mrs. Saranya Benrauman	229,300	
		116,656	
3	**Mr. Masami Katsumoto Group**	**36,031,075**	**16.32**
	- Mr. Masami Katsumoto	36,030,875	
	- Mr. Shigehiro Katsumoto	200	
4	Mr. Anucha Sangchareonwanakul	**4,810,000**	**2.18**
5	Mrs. Supitchaya Wasprasertsuk	**3,000,000**	**1.36**
6	Mr. Kasom Sirirangsunkul	**2,764,900**	**1.25**
7	Mrs. Kanthong Udommahantisuk	**2,000,000**	**0.91**

No.	Names	12th February 2014	
		Number of stocks	Percentage (%)
8	Miss Chareonsuk Kraiwong	1,765,000	0.80
9	Mr. Somsak Veerawanichai	1,658,600	0.75
10	Miss Paratee Veerawanichai	1,300,000	0.59
11	General Public	58,148,052	26.34
TOTAL		220,724783	100.00

Remarks: 1/Pinthong Group is under the control of the Pattamaworakulchai family with the main shareholders consisting of Mr. Pee Pattamaworakulchai and Miss Nana Pattamaworakulchai who manage the industrial estate, steel industry, produce parts for industrial sectors and operating cars rental and transportation business.

2/Vnet Capital Group consists of its subsidiaries which specialize in information technology related business, funding and advising.

8. 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.

9. Organization Chart

9.1 Board of Directors

The Board of Directors as of 31st December 2013 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	4	4
2. Mr. Naohiro[/1] Hamada	Director	4	3
3. Mr. Rattawat Suksaichol	Director	4	4
4. Mrs. Somsri[/1] Duangprateep	Director	4	4
5. Mr. Sopon[/2] Boonyaruttapunth	Director	4	4
6. Miss . Valaiporn Kanignunta	Independent Director / Chairman of the Audit Committee	4	4
7. Mr. Nipan Tungpiruttham	Independent Director / Audit Committee	4	4
8. Mr. Santi Niamnil	Independent Director / Audit Committee	4	4

Remarks: [1/]Mrs. Somsri Duangprateep and Mr. Naohiro Hamada are the representing directors from the the Pinthong Group.

[/2]Mr. Sopon Boonyaruttapunth is the representing director from Vnet Capital co.,ltd, with Miss Sakultip Homanee as the secretary of the Board.

Directors with signing authorization on behalf of the company

The authorized directors of the company are Mr. Masami Katsumoto and Mr. Naohioro Hamada with joint signature and the company's seal. For government related documents, State enterprises, organization, institution and the Securities and Exchange Commission, either Mr. Masami Katsumoto or Mr. Naohiro Hamada will sign the authorization with Mr. Rattawat Suksaichol and together with the company's seal.

Audit Committee

The Audit Committee, as of 31st December 2013, 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 Miss Pimsiripatn Janyapol as the Secretary to the Audit Committee.

9.2 Managing Directors

The Managing Directors, as of 31st December 2013, consists of 4 members as follows;

Name – Surname	Position	Remarks
Mr. Masami Katsumoto	Chief Executive Officer and Director of Domestic Sales and Marketing	
Mr. Rattawat Suksaichol	Deputy Chief Executive Officer, Director of International Sales and Marketing and Director of General Management	
Mr. Shigehiro Katsumoto	Sales and Marketing Advisor	
Mr. Prathom Torteeka	Factory Manager	

The Managing Directors, as of 31st March 2013, consists of 5 members as follows;

Name – Surname	Position	Remarks
Mr. Masami Katsumoto	Chief Executive Officer and Director of Domestic Sales and Marketing	
Mr. Rattawat Suksaichol	Deputy Chief Executive Officer, Director of International Sales and Marketing and Director of General Management	
Mr. Shigehiro Katsumoto	Sales and Marketing Advisor	
Mr. Prathom Torteeka	Factory Manager	
Miss Pimsiripat Janyapol	Acting Accounting and Finance Department Manager	Newly appointed

Scope of work of the Chief Executive Officer (CEO)

1. To manage and monitor the Company's business

2. To perform any tasks as assigned by the Board of Directors

3. To consider employment, appointment, transferring of employees, termination of employment, setting salary, remuneration and bonus packages of all employees, except CEO position

4. Authorize to consider and approve the lists of short-term loan within limits of 20 million baht per year for each item.

5. 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.

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

1. To propose plan and management guidance to Chief Executive Officer and the Board of Directors for their consideration

2. To plan and monitor the operations and management in line with business plan and budget

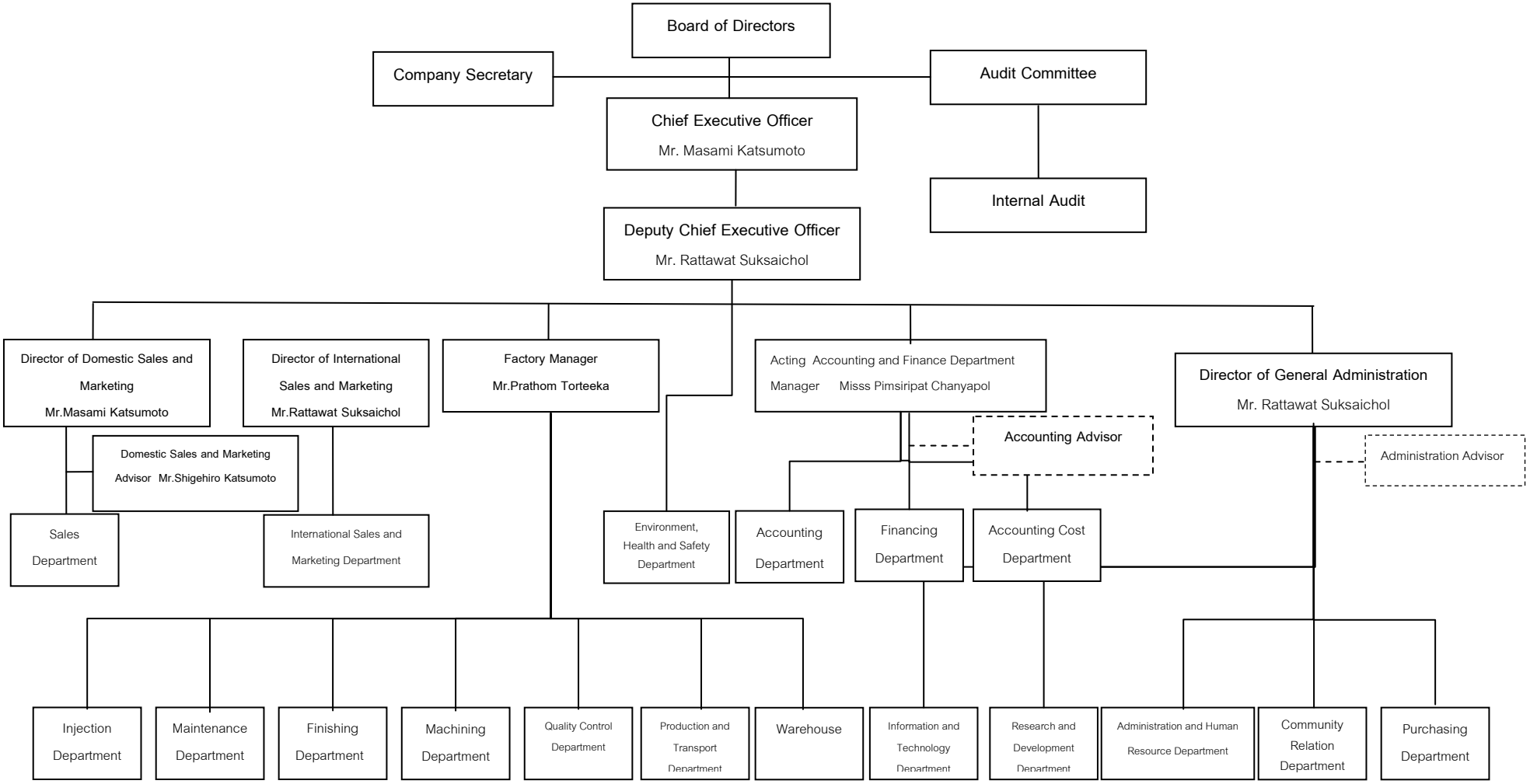
3. To summarize the operation results for present to Chief Executive Officer and the Board of Directors

4. To manage the operations of the company as assigned by Chief Executive Officer or the Board of Directors

5. Authorized by the Chief Executive Officer in employment, appointment, transferring of employees, termination of employment, setting salary, remuneration and bonus packages of all employees who are in the lower position than deputy CEO

6. Authorized by the Chief Executive Officer approved the assets and services procurement for the Company's benefit

The above authorization delegation and responsibilities of the deputy CEO must be under laws and regulation of the Company. In addition, Deputy CEO has no an authority to consider and approve a connected transaction, acquisition or disposition of assets and any transactions that he/she or related persons may have interests or conflict of interests of any nature with the Company or its subsidiaries (if any). In case such transactions; Deputy CEO shall request the approval of the Audit Committee and/or the Board of Directors and/or Shareholder's Meeting.


Board of Directors
Company Secretary
Audit Committee
Chief Executive Officer
Mr. Masami Katsumoto
Internal Audit
Deputy Chief Executive Officer
Mr. Rattawat Suksaichol
Director of Domestic Sales and Marketing
Mr.Masami Katsumoto
Director of International Sales and Marketing
Mr.Rattawat Suksaichol
Factory Manager
Mr.Prathom Torteeka
Acting Accounting and Finance Department Manager Misss Pimsiripat Chanyapol
Director of General Administration
Mr. Rattawat Suksaichol
Accounting Advisor
Administration Advisor
Domestic Sales and Marketing Advisor Mr.Shigehiro Katsumoto
Sales Department
International Sales and Marketing Department
Environment, Health and Safety Department
Accounting Department
Financing Department
Accounting Cost Department
Injection Department
Maintenance Department
Finishing Department
Machining Department
Quality Control Department
Production and Transport Department
Warehouse
Information and Technology Department
Research and Development Department
Administration and Human Resource Department
Community Relation Department
Purchasing Department

9.3 Company Secretary

The Board of Director has appointed Miss Sakultip Homanee as the Company Secretary as of 18th June 2009. The qualification of the Company Secretary is in the attachment no.1 of Annual Registration Statement (Form 56-1)

9.4 Remunerations of Directors and Executives

1. Monetary remuneration

a) Remunerations for the Directors

At the Shareholders Meeting on 11th April 2013, the board has approved to remunerate the directors in the year 2013 as follows;

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

Remarks: Board of Directors Meeting Allowances will be paid once the company has been listed on the MAI Stock Exchange.

In 2013, 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		
1. Mr. Masami Katsumoto	5,000	-		5,000
2. Mr. Naohiro Hamada	5,000	-		5,000
3. Mr. rattawat Suksaichol	5,000	-		5,000
4. Mrs. Somsri Duangprateep	5,000	-		5,000
5. Mr.Sopon Boonyaruttapunth	5,000	-		5,000
6. Ms. Valaiporn Kanignunta	-	25,000	60,000	85,000
7. Mr. Nipan Tungpiruttham	-	25,000	60,000	85,000
8. Mr. Santi Niamnil	-	25,000	60,000	85,000

b) Remunerations for the Executives

In 2013, the company had remunerated the Executives with salaries and bonuses for the total of 5 members amounting to 9.65 million Baht.

2. Non – monetary Remuneration

At the first special shareholders meeting 1/2012 held during 30th 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.

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

Name – Surname	Position	Numbers of warrants received (units)	Percentage of the total warrants distributed to directors and staff members (%)
1. Mr. Masami Katsumoto	Chairman of the Board / Chief Executive Officer	600,000	10.00
2. Mr. Naohiro Hamada	Director	200,000	3.33
3. Mr. Rattawat Suksaichol	Director / Deputy Chief Executive Officer	600,000	10.00
4. Mrs. Somsri Duangprateep	Director	200,000	3.33
5. Mr.Sopon Boonyaruttapunth	Director	200,000	3.33
6. Mr. Shigehiro Katsumoto	Sales and Marketing Advisor	150,000	2.50
TOTAL		1,950,000	41.67

9.5 Personnel

In 2013, the company has in total 398 members of staff (as of 21st December 2013). The company has paid the remunerations to staff in total 75.32 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	341	61.374	165,428.72
Administrative and support	57	13.95	244,729.24
TOTAL	*398*	*75.32*	*189,255.33*

Changes of labour in the past 3 years

Number of Staffs in 2011 – Total 373 (as of 21st December 2011)

Number of Staffs in 2012 – Total 443 (as of 21st December 2012)

Number of Staffs in 2013 – Total 398 (as of 21st December 2013)

Cases of labour disputes in 2013 – 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

10. Corporate Governance

10.1 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 me 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 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 Repot.

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.

10.2 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 2nd Shareholders Meeting on the 15th 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.

10.3 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.

10.4 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.

10.5 Audit Fee

1. Audit Fee

The Company pays the Audit Fee to Mr.Bunjong Pichayaprasat, the Certified Public Accountant license no. 7147 from PV Audit co.,ltd, the auditor for the accounting year of 2011, for the total sum of 550,000 Baht (Five hundred and fifty thousand Baht)

At the General Shareholders Meeting of the year 2012 on 20th April 2012, the meeting approved the Audit fee of the year 2012 to be 600,000 (Six hundred thousand Baht)

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

2. Non Audit Fee

-NONE-

10.6 Other Practices of Good Corporate Governance

The attendances of Audit Committee's members in the year 2013

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

11. Corporate Social Responsibility (CSR)

Sanko Diecasting (Thailand) Public Company Limited is fully aware that, sustainable business means not only providing the products and services which satisfies the demands of the customers, and operate the business in a way that it does not affect the stakeholders, economy and the environment, but it also means the responsibility to the society in all aspects both internally and externally.

(1) CSR In Process – To ensure a better, happy and healthy work life for the staff members. The production must be developed adequately in such a way that it adapts with the environment and reduces the costs and time of production. To satisfy the clients with the best possible products, services and also including raising the awareness of the Company and building on a good image.








(2) CSR After Process – This focuses on the community, in order to make a better understanding of the Company and to earn the trusts and confidence of the community so that both may co-exist mutually and prosper.













Guidelines regarding corruption prevention

The Company has an anti-corruption policy, written as guidelines in the Company's Code of Conduct, which was approved by the Board of Directors. In addition, the Company has the procedures to prevent corruptions as follows;

(1) The Company has notified to all levels of Directors, Executives and members that all procedures must be strictly within the laws or in the case of a mistake in operations from being careless or being benighted, the offenders shall be punished from the law without help or excuses.

(2) The Company provides a channel to report if the act of corruption is found and has the policy to fully protect the reporter.

However, the details and the procedures taken to prevent corruption has been described in details on the Company's website (www.sankothai.net) under the section "Corporate Governance" and can view the said information in the corporate social responsibility report (CSR-DIW Report) which has been separated and issued on the Company's website as indicated by the Corporate Social Responsibility, Department of Industrial Works : CSR-DIW for the year 2013, which has been approved by the Ministry of Industry under "Corporate Social Responsibility Report".

12. Internal control and risks management

12.1 The evaluation of the Internal Control System by the Boards of Directors.

During the second meeting of the Board of Directors on 26th February 2014 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. An exception to this is the follow up on business ethics and prohibit member of staffs to behave in such a way that may cause the conflict of interest, which the internal audit will include in the study and evaluate the actions in accordance with the Code of Conduct as stated in the Annual Internal Audit Plan of the year 2014.

Detailed evaluation on the sufficiency of the internal control system of the company can be found in the attachment no.4 “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 2013, 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;

Remarks	Explanations and further actions
Receipts and daily logs still run the record manually (by continuing on from the latest entry upon checking the documents manually) rather than automatically.	Normally it could be done both ways, automatically and manually, but to comply with the good practice of internal control system, the management team will proceed to stop using the manual method.
The company is in the process of making the production capacity database up to date, which takes time to complete.	On the 31st December 2013, the company has collected data to determine the norm production capacity. At present, it is adjusting the numbers to move forward.

Remarks	Explanations and further actions
The company classifies the costs and revenue for "businesses with supported funding" and "businesses with no supports" wrongly and not according to the rules and regulations.	The issues have been addressed and the solutions have been formed. At present the company is proceeding with collecting data from the ERP system.

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.

12.2 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.5. of Annual Registration Statement (Form 56-1)

12.3 Head of the internal audit of the company.

During the 2nd Audit Committee meeting on the 24th February 2014, Audit House co.,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 2014 with Mr. Thana Wongsangnak, acting as the main internal auditor of the company.

The Audit Committee has evaluated all the qualifications of Audit House co.,ltd and Mr. Thana Wongsangnak 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.2 of Annual Registration Statement (Form 56-1)

13. Inter Company Transaction

13.1 Details of the inter-transaction

Inter – transactions between person and juristic person which may caused conflicts between the tear 2012 and 2013 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 12	31 DEC 13	
Jutha Wan Metal Ltd. : Retailers of steel and stainless steel	A guarantor of the promissory note and the overdraft account for the company			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. Audit Committee's Opinion 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.
	- Guarantor's Credit	17,500,000	17,500,000	
	- Guarantor's Credit Fees	29,726	29,645	
	Initial Balance	349,044	350,000	
	Transaction Fees	24,433	24,433	
	VAT	373,558	374,352	

	Installed Payments Remaining Balance	29,645	29,726	
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 34,796 349,044 24,433 378,628 29,645	17,500,000 29,645 350,000 24,433 374,352 29,726	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. Audit Committee's Opinion 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.
	Office rental from Thai Industrial Parts co.,ltd. - Installed Payment	35,000	-	The company has rented the office area from Thai Industrial Parts co.,ltd, for a monthly fee of 4,000 Baht and the public's amenities fee and electricity of 1,000 Baht per month, in order to operate as sales office and clients relation within Bangkok and other provinces, for example, issuing invoices, goods payment. The rental fee must be relatively close to the market price.

	Remaining Balance	-	-	*Note that the rental contract has ended on the 31st July 2012 and the company has not renewed the contract.* Audit Committee's Opinion The Audit Committee had investigated and evaluated the said item and all agreed that the rental office area is of a reasonable price. The rental fee is adequate, similar to the market price which has been compared to other office spaces in the vicinity and it will be a great benefit in operating the business here.
	Products sold to Thai Industrial Parts co.,ltd - Initial Balance Installment Sales VAT Installed Payments Remaining Balance	 258,987 6,789,971 475,298 7,455,859 68,398	 68,398 3,821,004 267,470 3,906,001 250,871	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. Audit Committee's Opinion 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	28,410	-	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. Audit Committee's Opinion

	- Initial Balance Installment Buying VAT Installed Payments Remaining Balance	434,993 30,449 493,852 -	601,790 42,125 561,960 81,955	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.
Jutha Wan Metal Lab co.,ltd : 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	- 155,334 65,095 10,873 101,113	101,113 636,078 44,525 645,864 135,852	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. Audit Committee's Opinion 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.
Excel Metal Forging co.,ltd	The company employs Excel Metal Forging co.,ltd to do the finishing			The company employs Excel Metal Forging co.,ltd to do the finishing since the production capacity of the company was not enough during that time. The terms,

: Produce automobiles parts from steel extrusion	- cost during installment Remaining Balance	154,216 -	- -	prices and regulations are the same as other business. Audit Committee's Opinion 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.
Umphon co.,ltd : Car Rental Business	The company employs Umphon co.,ltd to rent cars. - Rental Costs Remaining Balance	1,553,630 -	1,335,360 -	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. Audit Committee's Opinion 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.
Oriental Estate co.,ltd : Factory construction and maintenance.	The company employs Oriental Estate co.,ltd to construct the office building - Initial Balance Cost during installment VAT	1,177,000 - - 1,177,000	- - - -	The company has employed Oriental Estate co.,ltd for constructing 2 buildings to operate as office building and training and the other as factory building with a total value of 16.04 million Baht and an additional construction on office building as a canteen, costing 1.6 million Baht. This also includes other construction works for example, machines basing foundation, factory renovation and office. The terms and price are the bent compared to other companies. *(Price not include VAT)* Audit Committee's Opinion The Audit Committee had investigated and evaluated the said item and all agreed

	Installed Payments Remaining Balance	-	-	that the said item is adequate and is an extension to the building in order to support the growth of the company. The prices and terms of the transaction are normal and have been compared to other companies.
I – Vision Solution co.,ltd : Design and Develop Computer Programs	The company employs I – Vision Solution co.,ltd, for designing and developing the Enterprise Resource Planning (ERP) program. - Initial Balance - Debt Reduction - Cost during Installment - Remaining Balance	 254,660 254,660 - -	 - - - -	The company had signed a contract with I - Vision Solution co.,ltd on 9th December 2008 to design and develop the Enterprise Resource Planning (ERP) program with the total value of 2,380,000 Baht and had paid 2,125,340 Baht. However, since there are delays in developing the said program, the company has terminated the contract with I – Vision Solution co.,ltd. At present, the company does not use the above mentioned program. *The agreement to forfeit the remaining of the payment amounting to 254,660 Baht was made in February 2013* <u>Audit Committee's Opinion</u> The Audit Committee had investigated and evaluated the said item and all agreed that the said transaction is adequate as a normal investment in company's support with regular business terms and prices. The reason for the termination of the contract is from the delays in the development of the program which will affect the accounting system of the company resulting in the imperfect reports on the financial statements of the company.

13.2 Steps of measures required to authorize intercompany transactions

As stated in the 1st Board of Directors meeting on the 4th February 2013, 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.

13.3 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.

14. Key Financial Information

14.1 FINANCIAL STATEMENT REPORT

SANKO DIECASTING (THAILAND) PUBLIC COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2013

		Baht		
	Note	December 31, 2013	December 31, 2012	January 1, 2012
ASSETS	3		(Restated)	(Restated)
Current assets				
Cash and cash equivalents	5	20,882,978.94	20,459,299.37	12,278,925.82
Trade and other receivables	4, 6	51,599,052.62	64,110,366.45	58,056,724.66
Inventories	7	41,164,595.76	42,473,622.32	24,981,129.98
Other current assets	8	10,345,330.81	21,355,814.47	9,958,247.15
Total current assets		123,991,958.13	148,399,102.61	105,275,027.61
Non-current assets				
Restricted financial institution deposits	9	5,981,000.00	5,980,000.00	5,191,000.00
Property, plant and equipment	10	194,827,663.68	190,172,423.37	152,991,453.31
Deferred tax assets	11	2,850,888.81	2,001,846.75	3,484,629.72
Intangible assets	2, 19	5,611,969.21	-	1,175,572.15
Other non-current assets		8,143,739.96	1,054,976.45	1,622,609.16
Total non-current assets		217,415,261.66	199,209,246.57	164,465,264.34
TOTAL ASSETS		341,407,219.79	347,608,349.18	269,740,291.95

SANKO DIECASTING (THAILAND) PUBLIC COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2013

		Baht		
	Note	December 31, 2013	December 31, 2012	January 1, 2012
LIABILITIES AND SHAREHOLDERS' EQUITY	3		(Restated)	(Restated)
Current liabilities				
Bank overdraft and short-term loans from financial institutions	12	61,065,891.35	65,438,493.63	57,846,803.21
Trade and other payables	4, 13	80,355,054.51	93,169,633.88	66,928,762.43
Current portion of liabilities	16	23,491,830.76	18,404,945.42	10,437,022.47
Other current liabilities	17	8,201,872.39	19,795,435.15	7,711,987.73
Total current liabilities		173,114,649.01	196,808,508.08	142,924,575.84
Non-current liabilities				
Long-term loans from financial institutions	14	16,618,491.30	28,589,515.73	27,679,462.85
Long-term liability under finance lease	15	7,856,863.78	9,193,384.47	4,507,514.84
Deferred tax liabilities	2, 19	-	859,488.41	-
Employee benefit obligations	18	2,847,794.36	1,641,805.52	1,357,989.02
Total non-current liabilities		27,323,149.44	40,284,194.13	33,544,966.71
Total liabilities		**200,437,798.45**	**237,092,702.21**	**176,469,542.55**

SHAREHOLDERS' EQUITY				
Share capital				
Authorized share capital				
Authorized 226,000,000 ordinary shares, Baht 0.50 par value	20	113,000,000.00	113,000,000.00	113,000,000.00
Issued and paid-up share capital				
220,724,783 ordinary shares, in year 2013 and				
176,000,000 ordinary shares, in year 2012 fully paid-up		110,362,391.50	88,000,000.00	88,000,000.00
Premium on share capital	20	30,984,616.08	-	-
Warrants	21	482,417.60	-	-
Retained earnings (deficit)				
Appropriated to legal reserve	26	2,215,417.96	2,215,417.96	1,251,420.05
Unappropriated	22	(3,075,421.80)	20,300,229.01	4,019,329.35
Total shareholders' equity		140,969,421.34	110,515,646.97	93,270,749.40
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		341,407,219.79	347,608,349.18	269,740,291.95

SANKO DIECASTING (THAILAND) PUBLIC COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2013

		Baht	
	Note	2013	2012
	3		(restated)
Revenue from sales	4	**403,435,007.61**	**474,477,570.08**
Cost of sales	23	(368,122,040.87)	(400,890,848.85)
Gross profit		**35,312,966.74**	**73,586,721.23**
Other income		7,561,225.32	12,589,511.61
Selling expenses	23	(6,414,979.96)	(5,800,642.64)
Administrative expenses	4, 23	(49,350,192.44)	(52,325,742.50)
Finance costs	24	(8,156,128.09)	(7,556,422.00)
Profit (loss) before income tax		(21,047,108.43)	20,493,425.70
Tax income (tax expenses)	25	6,471,457.62	(3,248,528.13)
Profit (loss) for the year		**(14,575,650.81)**	**17,244,897.57**
Other comprehensive income (loss)		-	-
Total comprehensive income (loss)		**(14,575,650.81)**	**17,244,897.57**

Earnings (loss) per share				
	Basic earnings (loss) per share	3	(0.083)	0.098
	Weighted average number of ordinary shares (shares)	3	176,000,000	176,000,000
	Diluted loss per share	3	(0.070)	
	Weighted average number of ordinary shares (diluted) (shares)	3	208,230,649	

SANKO DIECASTING (THAILAND) PUBLIC COMPANY LIMITED

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2013

		Baht					
		Issued and paid-up share capital	Premium on share capital	Warrants	Retained earnings (deficit)		Total
					Appropriated	Unappropriated (restated)	
Beginning balance as at January 1, 2012 - previously reported		88,000,000.00	-	-	1,251,420.05	2,843,757.20	92,095,177.25
Effects of change in accounting policy	2, 3	-	-	-	-	1,175,572.15	1,175,572.15
Adjusted balance		88,000,000.00	-	-	1,251,420.05	4,019,329.35	93,270,749.40
Changes in shareholders' equity							
Total comprehensive income		-	-	-	-	17,244,897.57	17,244,897.57
Appropriated - legal reserve	26	-	-	-	963,997.91	(963,997.91)	-
Ending balance as at December 31, 2012		88,000,000.00	-	-	2,215,417.96	20,300,229.01	110,515,646.97

Changes in shareholders' equity							
	Increase in ordinary shares	20	22,362,391.50	30,984,616.08	-	-	-	53,347,007.58
	Dividends paid	22	-	-	-	-	(8,800,000.00)	(8,800,000.00)
	Warrants	21	-	-	482,417.60	-	-	482,417.60
	Total comprehensive loss		-	-	-	-	(14,575,650.81)	(14,575,650.81)
Ending balance as at December 31, 2013			110,362,391.50	30,984,616.08	482,417.60	2,215,417.96	(3,075,421.80)	140,969,421.34

SANKO DIECASTING (THAILAND) PUBLIC COMPANY LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2013

	Baht	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit (loss) before income tax	(21,047,108.43)	20,493,425.70
Adjustments to reconcile net profit (loss) before income tax to net cash provided by operating activities		
Depreciation and amortization	26,366,626.92	20,392,366.22
Loss on sales and written off of assets	126,336.88	2,200,157.92
Doubtful accounts	-	124,953.83
Loss from devaluation of inventories (reversal)	(6,652,643.56)	6,278,010.51
Loss from impairment of assets	2,094,915.82	3,119,308.27
Provision incurred from the employee benefit obligations	1,205,988.84	283,816.50
Employee share options	482,417.60	-
Interest income	(179,596.74)	(185,431.81)
Interest expenses	8,156,128.09	7,556,422.00

Profit from operating activities before changes in operating assets and liabilities	10,553,065.42	60,263,029.14
Changes in operating assets (increase) decrease		
Trade and other receivables	12,511,313.83	(6,192,538.55)
Inventories	7,961,670.12	(23,770,502.85)
Other current assets	11,010,483.66	(11,397,567.32)
Other non-current assets	(5,166,800.00)	(5,000.00)
Changes in operating liabilities increase (decrease)		-
Trade and other payables	(12,803,010.00)	26,240,871.45
Other current liabilities	(11,593,562.76)	12,083,447.42
Cash generated from operations	12,473,160.27	57,221,739.29
Interest received	179,596.73	199,374.73
Income tax paid	(1,921,963.51)	(2,263,444.02)
Net cash provided by operating activities	**10,730,793.49**	**55,157,670.00**

SANKO DIECASTING (THAILAND) PUBLIC COMPANY LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2013

	Baht	
	2013	2012
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in restricted financial institution deposits	(1,000.00)	(789,000.00)
Purchase of building and equipment	(32,602,147.54)	(46,016,781.51)
Purchase of intangible assets	(1,364,500.00)	(1,303,500.00)
Proceeds from sale of equipment	14,834,045.69	1,301,552.76
Net cash used in investing activities	**(19,133,601.85)**	**(46,807,728.75)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in bank overdraft and short-term loans from financial institutions	(4,372,602.28)	7,591,690.42
Proceed from long-term loans from financial institutions	-	13,720,000.00
Repayments long-term loans from financial institutions	(11,464,927.62)	(9,642,814.13)
Repayments of liability	(11,715,292.30)	

under finance lease		(4,282,022.00)
Dividends paid	(8,800,000.00)	-
Proceed from increase in ordinary shares	53,347,007.58	-
Interest paid	(8,167,697.46)	(7,556,422.00)
Net cash provided by (used in) financing activities	**8,826,487.92**	**(169,567.70)**
Net increase in cash and cash equivalents	**423,679.56**	**8,180,373.55**
Cash and cash equivalents at beginning of the year	**20,459,299.37**	**12,278,925.82**
Cash and cash equivalents at end of the year	**20,882,978.93**	**20,459,299.37**

Non - cash items

For the year 2013

- The Company entered into the sale and lease back agreement of machinery (see Note 15)

SANKO DIECASTING (THAILAND) PUBLIC COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

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.

Transition to new and revised TFRS

In the year 2013, the Company has adopted new and revised TFRS which are effective for the financial statements for the period beginning on or after January 1, 2013 as follows:

TAS/TFRS/TI/FAP's Announcement	Topic
TAS 12	Income Taxes
TAS 20 (revised 2009)	Accounting for Government Grants and Disclosures of Government Assistance
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rate
TFRS 8	Operating Segments
TI 10	Government Assistance – No Specific Relation to Operating Activities
TI 21	Income Taxes – Recovery of Revalued Non-Depreciable Assets
TI 25	Income Taxes – Changes in the Tax Status of an Enterprise or its Shareholders
No. 34/2555	Accounting Treatment Guidance for Transfers of Financial Assets

The TAS, TFRS, TI and FAP's Announcement do not have any significant impacts on the financial statements, except TAS as follows:

Thai Accounting Standard (TAS) No. 12 – Income Taxes

This TAS is the requirement to account for deferred tax assets and liabilities in the Company's financial statements. Deferred tax assets and liabilities are the amounts of income taxes recoverable and

payable, respectively, in future periods in respect of temporary differences between the carrying amount of the assets or liabilities in the statement of financial position and the amount attributed to those assets or liabilities for tax purposes; and the carry forward of unused tax losses.

The Company adopted this TAS with effective from January 1, 2013 onward. The effects of the change were recognized retrospectively in the financial statements and the statements of financial position as at December 31, 2012 and January 1, 2012 and the statement of comprehensive income for the year ended December 31, 2012 were adjusted accordingly. The management estimates that the impact on the financial statements as follows:

	Baht		
	December 31, 2013	December 31, 2012	January 1, 2012
The statements of financial position			
Increase in deferred tax assets	5,611,969.21	-	1,175,572.15
Increase in deferred tax liabilities	-	859,488.41	-
Increase (decrease) in retained earnings	5,611,969.21	(859,488.41)	1,175,572.15

	Baht	
	2013	2012
The statements of comprehensive income		
Increase (decrease) in tax income (expenses)	6,471,457.62	(2,035,060.56)
Increase (decrease) in profit (loss) for the years	6,471,457.62	(2,035,060.56)
Increase (decrease) in basic earnings (loss) per share	0.032	(0.012)
Decrease in diluted loss per share	0.031	

New and revised Thai Financial Reporting Standards not yet effective

The Company has not yet adopted the new and revised Thai Financial Reporting Standards as follows:

a) Thai Accounting Standards (TAS), Thai Financial Reporting Standard (TFRS), Thai Financial Reporting Interpretations (TFRI) and Thai Interpretations (TI) which are effective for the financial statements for the period beginning on or after January 1, 2014 as follows:

TAS/TFRS/TFRI/TI	Topic
TAS 1 (revised 2012)	Presentation of Financial Statements
TAS 7 (revised 2012)	Statement of Cash Flows
TAS 12 (revised 2012)	Income Taxes
TAS 17 (revised 2012)	Leases
TAS 18 (revised 2012)	Revenue
TAS 19 (revised 2012)	Employee Benefits
TAS 21 (revised 2012)	The Effects of Changes in Foreign Exchange Rate
TAS 24 (revised 2012)	Related Party Disclosures
TAS 28 (revised 2012)	Investments in Associates
TAS 31 (revised 2012)	Interests in Joint Venture
TAS 34 (revised 2012)	Interim Financial Reporting
TAS 36 (revised 2012)	Impairment of Assets
TAS 38 (revised 2012)	Intangible Assets
TFRS 2 (revised 2012)	Share – Based Payments
TFRS 3 (revised 2012)	Business Combinations
TFRS 5 (revised 2012)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 8 (revised 2012)	Operating Segments
TFRI 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRI 4	Determining whether an Arrangement contains a Lease

TAS/TFRS/TFRI/TI	Topic
TFRI 5	Rights to Interests arising from Decommission, Restoration and Environmental Rehabilitation Funds
TFRI 7	Applying the Restatement Approach under TAS 29 Financial Reporting in Hyperinflationary Economies
TFRI 10	Interim Financial Reporting and Impairment
TFRI 12	Service Concession Arrangements
TFRI 13	Customer Loyalty Programmes
TFRI 17	Distributions of Non-cash Assets to Owners
TFRI 18	Transfers of Assets from Customers
TI 15	Operating Leases-Incentives
TI 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
TI 29	Service Concession Arrangements: Disclosures
TI 32	Intangible Assets-Web Site Costs

b) Thai Financial Reporting Standard (TFRS) which is effective for the financial statements for the period beginning on or after January 1, 2016 as follows:

TFRS	Topic
TFRS 4	Insurance Contracts

The management of the Company is assessing the impacts of these TAS, TFRS, TFRI and TI 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

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 costs

Interest expenses and similar costs are charged to the statements of comprehensive income in the period in which they are incurred, except to the extent that they are capitalized as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale. 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 on an accrual basis.

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 actuarial gains (losses) in the profit or loss in the period in which they arise.

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.

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.

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:

	Years
Building and building improvement	5 - 30
Machinery and equipment	5 - 20
Furniture and office equipment	5
Vehicles	5

Depreciation of mould type 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 asset under construction.

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.

The direct expenses concerned with the assets include interest paid from the borrowing for the acquisitions of the above assets before completion of the assets are recognized as cost of the assets.

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.

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.

Expenditure which enhances or extends the performance computer software program beyond their original specifications is recognized as a capital improvement and added to the original cost of the software.

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' net selling price 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.

Leases not transferring a significant portion of the risks and rewards of ownership to the lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statements of comprehensive income on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

Foreign currency accounts

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 dated 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 Company operates an equity-settled, share-based compensation plan, under which the Company receives services from employees as consideration for equity instruments (warrants) of the Company. The fair value of warrants on the grant date is recognised as expense over the vesting period.

When the warrants are exercised, the proceeds received net of any directly attributable transaction costs are credited to share capital (par value) and share premium.

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 its 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 recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. 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 realised.

Dividends

Dividend and interim dividend payment are recorded in the financial statements 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 earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing net profit (loss) for the year by the weighted average number of ordinary shares outstanding during the year.

For the years ended December 31, 2013 and 2012.

	2013	2012
Net profit (loss) for the year (Baht)	(14,575,650.81)	17,244,897.57
Weighted average number of ordinary shares (shares)		
Issued ordinary shares at the beginning of the years	176,000,000	176,000,000
Effect of shares issued during the years	29,204,374	-
Weighted average number of ordinary shares (shares)	205,204,374	176,000,000
Basic earnings (loss) per shares (Baht)	(0.071)	0.098

Diluted loss per share

Diluted loss per share is calculated by dividing the net loss for the year of ordinary shareholders by the sum of the weighted average number of ordinary shares outstanding during the year plus the weighted average number of shares to be issued for the exercise of all dilutive potential ordinary shares without 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.

The basic loss per share and the diluted loss per share are as follows:

For the year ended December 31, 2013.

	Baht	Shares	Baht
	Net loss	Weighted average number of ordinary shares	Loss per share
Loss per share			
Basic loss per share	(14,575,650.81)	205,204,374	(0.071)
Effect dilutive potential ordinary shares	-	3,026,275	-
Diluted loss per share	(14,575,650.81)	208,230,649	(0.070)

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, 2013 and 2012 were as follows:

	Baht	
	2013	2012
Revenue from sales		
Thai Industrial Parts Ltd.	3,821,003.65	6,789,970.81
Rental and service expenses		
Thai Industrial Parts Ltd.	-	35,000.00
Umphon Co., Ltd.	1,335,360.00	1,553,630.00
Fee		
Thai Industrial Parts Ltd.	350,000.02	349,043.72
Juthawan Co., Ltd.	350,000.01	349,043.72
Purchase of goods and services		
Thai Industrial Parts Ltd.	601,790.17	434,992.64
Excel Metal Forging Co., Ltd	-	154,215.84
Rika JTW Heat Treatment Co.,Ltd.	636,078.36	155,333.95

The significant balance of assets and liabilities with related parties as at December 31, 2013 and 2012 were as follows:

	Baht	
	2013	2012
Trade accounts receiviable		
Thai Industrial Parts Ltd.	250,871.23	68,397.65
Trade accounts payable		
Thai Industrial Parts Ltd.	81,954.91	-
Rika JTW Heat Treatment Co.,Ltd.	135,851.62	101,112.55
Accrued expenses		
Thai Industrial Parts Ltd.	29,726.03	29,644.81
Juthawan Co., Ltd.	29,726.03	29,644.81
Director	15,000.00	15,000.00

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.

Key management personnel compensation

Key management personnel compensation for the years ended December 31, 2013 and 2012 consisted of:

	Baht	
	2013	2012
Short-term benefits	9,594,490.67	13,159,636.00
Post-employment benefits	119,839.00	117,402.36
Total	9,714,329.67	13,277,038.36

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, 2013 and 2012, the Company paid directors' remuneration in the amount of Baht 0.47 million and Baht 0.27 million, respectively.

Nature of relationship

Company	Country	Relation	Type of relation
Thai Industrial Parts Ltd.	Thailand	Related company	Shareholder of the Company and common shareholder and director
Juthawan Co., Ltd.	Thailand	Related company	Common shareholder and director
Umphon Co., Ltd.	Thailand	Related company	Former common shareholder
Excel Metal Forging Co., Ltd.	Thailand	Related company	Common shareholder and director
Rika JTW Heat Treatment Co., Ltd. (Formerly : Juthawan Metal Lab Co., Ltd.)	Thailand	Related company	Common shareholder

Bases of measurement for intercompany revenues and expenses

	Pricing polices
Purchase and sale of goods and service	Market price comparable to the selling price with third parties
Administrative and service expenses	Contractually agreed upon prices

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at December 31, 2013 and 2012 consisted of:

	Baht	
	2013	2012
Cash on hand	248,708.50	24,397.00
Cash at banks	20,634,270.44	20,434,902.37
Total	20,882,978.94	20,459,299.37

6. TRADE AND OTHER RECEIVABLES

Trade and other receivables as at December 31, 2013 and 2012 consisted of:

	Baht	
	2013	2012
Trade receivables		
Related parties	250,871.23	68,397.65
Other parties	40,590,227.12	60,557,698.52
Total	40,841,098.35	60,626,096.17
Other receivables		
Accrued income	9,407,639.00	2,209,152.83
Other receivables	1,805,534.25	1,730,336.43
Total	11,213,173.25	3,939,489.26
Less Allowance for doubtful accounts	(455,218.98)	(455,218.98)
Other receivables - net	10,757,954.27	3,484,270.28
Trade and other receivables - net	51,599,052.62	64,110,366.45

As at December 31, 2013 and 2012, the Company had outstanding balances of trade receivables aged by number of months as follows:

	Baht	
	2013	2012
Trade receivables - related parties		
Current	250,871.23	68,397.65
Trade receivables - others		
Current	36,508,305.15	55,523,117.26
Overdue		
Less than 3 months	4,053,725.51	4,053,661.62
Over 3 months	28,196.46	980,919.64
Total	40,590,227.12	60,557,698.52

Movements of allowance for doubtful accounts for the years ended December 31, 2013 and 2012 were as follows:

	Baht	
	2013	2012
Beginning balance	455,218.98	330,265.15
Add Allowance for doubtful accounts	-	124,953.83
Ending balance	455,218.98	455,218.98

7. INVENTORIES

Inventories as at December 31, 2013 and 2012 consisted of:

	Baht	
	2013	2012
Finished goods	14,136,855.37	26,991,819.00
Work in process	23,482,542.45	17,719,926.74
Raw materials	1,425,542.79	2,520,055.55
Spare parts	3,341,949.36	3,116,758.80
Total	42,386,889.97	50,348,560.09
Less Allowance for devaluation of inventories	(1,222,294.21)	(7,874,937.77)
Inventories - net	41,164,595.76	42,473,622.32

Movements of allowance for devaluation of inventories for the years ended December 31, 2013 and 2012 were as follows:

	Baht	
	2013	2012
Beginning balance	7,874,937.77	1,596,927.26
Add Loss from devaluation of inventories	-	6,278,010.51
Less Reversal loss from devaluation of inventories	(6,652,643.56)	-
Ending balance	1,222,294.21	7,874,937.77

8. OTHER CURRENT ASSETS

Other current assets as at December 31, 2013 and 2012 consisted of:

	Baht	
	2013	2012
Advance to suppliers	7,599,600.00	18,112,074.50
Refundable and waiting for tax invoice value added tax	2,190,444.04	2,112,708.32
Financial advisor fee preparing to be listed on the Stock Exchange of Thailand	-	600,000.00
Prepaid expenses	555,286.77	531,031.65
Total	10,345,330.81	21,355,814.47

9. RESTRICTED FINANCIAL INSTITUTION DEPOSITS

As at December 31, 2013 and 2012, restricted financial institution deposits were shown as follows:

Financial institution	Financial institutions deposit	Guarantee for	Note	Baht	
				2013	2012
No. 1	Fixed deposit	Eletricity	30.2	2,230,000.00	2,230,000.00
		Purchase construction materials			-
No. 2	Fixed deposit	Loan	12	3,751,000.00	3,750,000.00
	Total			5,981,000.00	5,980,000.00

10. PROPERTY, PLANT AND EQUIPMENT

Movement of property, plant and equipment for the years ended December 31, 2013 and 2012 consisted of:

	Baht						
	Land	Building and improvement	Machinery and factory equipment	Furniture and office equipment	Vehicles	Assets under construction and install	Total
At Cost							
Balance as at January 1, 2012	11,262,511.00	64,817,506.04	218,163,260.79	8,739,098.46	1,714,710.09	201,332.02	304,898,418.40
Purchases/ Transfers in	6,178,269.68	19,993,356.82	32,056,449.07	2,500,095.92	-	35,110,771.54	95,838,943.03
Disposal/ Transfers out	-	-	(10,720,171.94)	(66,020.00)	-	(34,758,407.06)	(45,544,599.00)
Balance as at December 31, 2012	17,440,780.68	84,810,862.86	239,499,537.92	11,173,174.38	1,714,710.09	553,696.50	355,192,762.43
Purchases/ Transfers in	-	159,514.00	46,080,429.41	1,510,207.55	-	3,898,210.40	51,648,361.36
Disposal/ Transfers out	-	(301,250.00)	(19,936,304.86)	(455,748.32)	-	(4,157,213.90)	(24,850,517.08)
Balance as at December 31, 2013	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
Accumulated depreciation							
Balance as at January 1, 2012	-	24,140,917.98	123,283,585.36	3,460,509.02	855,241.05	-	151,740,253.41
Depreciation	-	2,338,992.03	15,777,361.32	1,756,195.55	113,534.35	-	19,986,083.25
Disposal/ Transfers out	-	-	(8,355,120.32)	(14,288.06)	-	-	(8,369,408.38)
Balance as at December 31, 2012	-	26,479,910.01	130,705,826.36	5,202,416.51	968,775.40	-	163,356,928.28
Depreciation	-	2,974,832.28	20,730,508.80	2,032,603.65	113,224.24	-	25,851,168.97
Disposal/ Transfers out	-	(294,940.00)	(5,097,871.35)	(410,669.50)	-	-	(5,803,480.85)
Balance as at December 31, 2013	-	29,159,802.29	146,338,463.81	6,824,350.66	1,081,999.64	-	183,404,616.40

	Baht						
	Land	Building and improvement	Machinery and factory equipment	Furniture and office equipment	Vehicles	Assets under construction and install	Total
Impairment of assets							
Balance as at January 1, 2012	-	-	166,711.69	-	-	-	166,711.69
Add Loss from impairment of assets	-	-	1,496,699.10	-	-	-	1,496,699.10
Disposal/ Transfers out	-	-	-	-	-	-	-
Balance as at December 31, 2012	-	-	1,663,410.79	-	-	-	1,663,410.79
Add Loss from impairment of assets	-	-	2,094,915.84	-	-	-	2,094,915.84
Disposal/ Transfers out	-	-	-	-	-	-	-
Balance as at December 31, 2013	-	-	3,758,326.63	-	-	-	3,758,326.63
Net book value							
Owned assets	17,440,780.68	58,330,952.85	89,507,487.54	4,861,771.96	-	553,696.50	170,694,689.53
Assets under finance leases	-	-	17,622,813.24	1,108,985.91	745,934.69	-	19,477,733.84
Balance as at December 31, 2012	17,440,780.68	58,330,952.85	107,130,300.78	5,970,757.87	745,934.69	553,696.50	190,172,423.37
Owned assets	17,440,780.68	55,509,324.57	87,542,153.01	4,872,489.33	292,603.84	294,693.00	165,952,044.43
Assets under finance leases	-	-	28,004,719.02	530,793.62	340,106.61	-	28,875,619.25
Balance as at December 31, 2013	17,440,780.68	55,509,324.57	115,546,872.03	5,403,282.95	632,710.45	294,693.00	194,827,663.68

	Baht	
	2013	2012
Depreciation for the years ended December 31		
was included in		
Cost of goods sold	23,775,092.19	17,978,559.98
Administrative expenses	2,076,076.78	2,007,523.27
Total	25,851,168.97	19,986,083.25
As at December 31,		
The carrying amount before accumulated depreciation		
which have been depreciated and still in use	57,933,536.33	55,958,801.49

	Baht			
			Service rate per month	
	Lessor	Period	(In Million Baht)	Note
Space and equipment rental	Third party	1 year	0.02	Can be renewing
Lease for vehicle	Third party	3 - 4 years	0.30	the contract if
Lease for machine	Third party	3 years	0.18	expired.

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 12 and 14).

11. INTANGIBLE ASSETS

Intangible assets for the years ended December 31, 2013 and 2012 consisted of:

	Baht		
	Computer software	Computer software under installation	Total
At cost			
Balance as at January 1, 2012	1,479,600.00	3,097,500.00	4,577,100.00
Purchases/ transfers in	1,602,500.00	708,500.00	2,311,000.00
Disposal/ transfers out	-	(3,387,500.00)	(3,387,500.00)
Balance as at December 31, 2012	3,082,100.00	418,500.00	3,500,600.00
Purchases/ transfers in	1,708,000.00	1,364,500.00	3,072,500.00
Disposal/ transfers out	-	(1,708,000.00)	(1,708,000.00)
Balance as at December 31, 2013	4,790,100.00	75,000.00	4,865,100.00
Accumulated amortization			
Balance as at January 1, 2012	1,092,470.28	-	1,092,470.28
Amortization	406,282.97	-	406,282.97
Disposal/ transfers out	-	-	-
Balance as at December 31, 2012	1,498,753.25	-	1,498,753.25
Amortization	515,457.94	-	515,457.94
Disposal/ transfers out	-	-	-
Balance as at December 31, 2013	2,014,211.19	-	2,014,211.19
Net book value			
Owned assets	1,044,097.25	418,500.00	1,462,597.25
Assets under finance leases	539,249.50	-	539,249.50
Balance as at December 31, 2012	1,583,346.75	418,500.00	2,001,846.75
Owned assets	2,355,638.90	75,000.00	2,430,638.90
Assets under finance leases	420,249.91	-	420,249.91
Balance as at December 31, 2013	2,775,888.81	75,000.00	2,850,888.81

	Baht	
	2013	2012
Depreciation for the years ended December 31		
was included in administrative expense	515,457.95	406,282.97
As at December 31		
The cost amount before accumulated depreciation which have been fully		
depreciated and still in use	560,000.00	560,000.00

12. BANK OVERDRAFT AND SHORT-TERM LOANS FROM FINANCIAL INSTITUTIONS

Bank overdraft and short-term loans from financial institutions as at December 31, 2013 and 2012 consisted of:

	Baht	
	2013	2012
Bank overdraft	873,382.61	5,169,350.56
Promissory note	31,000,000.00	31,000,000.00
Trust receipt	29,192,508.74	29,269,143.07
Total	61,065,891.35	65,438,493.63

The Company has credit facilities with financial institutions consisted of :

Financial institution	Type of credit	Credit limit (Million Baht)	Interest rate	Collateral
No. 1	Bank overdrafts	10.00	MOR	The Company' s land including existing
	Promissory notes	16.00	MLR	construction and to be constructed in the future (see Note 10) for used as collateral, including the benefits from insurance of such collateral
No. 2	Bank overdrafts	5.00	MOR	Guaranteed by two related companies
	Letter of credit / Trust receipt/ Letter of guarantee	30.00	MLR, SIBOR	(see Notes 4 and 30.1.2)
	Promissory notes	15.00	MLR	25 percent of right to received payment under the account and /or bill of exchange for promissory notes (see Note 9)
	Total	76.00		

13. TRADE AND OTHER PAYABLES

Trade and other payables as at December 31, 2013 and 2012 consisted of:

	Baht	
	2013	2012
Trade payables		
Related parties	217,806.53	101,112.55
Other parties	64,221,186.37	61,212,596.28
Total	64,438,992.90	61,313,708.83
Other payables		
Accrued expenses	14,439,199.08	15,249,614.09
Other payables	1,476,862.53	16,606,310.96
Total	15,916,061.61	31,855,925.05
Grand total	80,355,054.51	93,169,633.88

14. LOANS FROM FINANCIAL INSTITUTIONS

Loans from financial institutions as at December 31, 2013 and 2012 consisted of:

	Baht	
	2013	2012
Loans from financial institutions	28,580,979.44	40,045,907.06
Less Current portion	(11,962,488.14)	(11,456,391.33)
Long-term loans from financial institutions	16,618,491.30	28,589,515.73

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
Bank	14.00	6.59	Nov. 2010 - Oct. 2015	MLR	Monthly principal repayment with interest of Baht 0.29 million, first repayment started after 7 months of intial loan withdrawal.
Bank	26.00	12.33	Nov. 2010 - Oct. 2015	MLR	Monthly principal repayment with interest of Baht 0.54 million, first repayment started after 7 months of intial loan withdrawal.
Bank	14.00	9.66	Jul. 2012 - Jun. 2017	MLR	Monthly principal repayment with interest of Baht 0.23 million, first repayment started after 7 months of intial loan withdrawal.
Total	54.00	28.58			

Movements of loans from financial institutions for the years ended December 31, 2013 and 2012 were as follows:

	Baht	
	2013	2012
Beginning balance	40,045,907.06	35,968,721.19
Increase	-	13,720,000.00
Decrease	(11,464,927.62)	(9,642,814.13)
Ending balance	28,580,979.44	40,045,907.06

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

15. LIABILITY UNDER FINANCE LEASE

Liability under finance lease as at December 31, 2013 and 2012 consisted of:

	Baht		
	2013		
Year	Present value	Deferred interest	Minimum lease payment
finance lease			
1	7,370,465.62	425,769.96	7,796,235.58
2 - 5	2,612,943.73	75,235.63	2,688,179.36
	9,983,409.35	501,005.59	10,484,414.94
Sale and lease back			
1	4,158,877.00	471,907.52	4,630,784.52
2 - 5	5,243,920.05	158,661.89	5,402,581.94
	9,402,797.05	630,569.41	10,033,366.46
Total			
1	11,529,342.62	897,677.48	12,427,020.10
2 - 5	7,856,863.78	233,897.52	8,090,761.30
	19,386,206.40	1,131,575.00	20,517,781.40

	Baht		
	2012		
Year	Present value	Deferred interest	Minimum lease payment
1	6,948,554.09	856,268.46	7,804,822.55
2 - 5	9,193,384.47	418,297.35	9,611,681.82
	16,141,938.56	1,274,565.81	17,416,504.37

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 1.00 million (in 2012: Baht 0.61 million). The current portion in the amount of Baht 11.53 million (in 2012: Baht 6.95 million) was presented under current liabilities.

In year 2013, the Company entered into the sale and lease back agreement of machinery at book value in the amount of baht 14.73 million.

16. CURRENT PORTION OF LIABILITIES

Current portion of liabilities as at December 31, 2013 and 2012 consisted of:

		Baht	
	Note	2013	2012
Loans from financial institutions	14	11,962,488.14	11,456,391.33
Liabilities under finance lease	15	11,529,342.62	6,948,554.09
Total		23,491,830.76	18,404,945.42

17. OTHER CURRENT LIABILITIES

Other current liabilities as at December 31, 2013 and 2012 consisted of:

	Baht	
	2013	2012
Deposits received for goods	7,285,040.00	18,201,400.00
Witholding tax payable	497,637.61	641,657.37
Revenue received in advance	419,194.78	952,377.78
Total	8,201,872.39	19,795,435.15

18. EMPLOYEE BENEFIT OBLIGATIONS

Employee benefit obligations in the statement of financial position as at December 31, 2013 and 2012 consisted of:

	Baht	
	2013	2012
Post-employment benefit plan		
Present value of obligations	2,847,794.36	1,641,805.52
Employee benefit obligations	2,847,794.36	1,641,805.52

Movement of the present value of employee benefit obligations for the years ended December 31, 2013 and 2012 was as follows:

	Baht	
	2013	2012
Post - employment benefit plan		
Present value of employee benefit obligations as at January 1	1,641,805.52	1,357,989.02
Employee benefit expenses in the statement of comprehensive income:		
Current service cost	1,262,196.65	185,651.50
Interest cost	(20,255.80)	57,195.00
Actuarial (gain) loss	(35,952.01)	40,970.00
Present value of employee benefit obligations as at December 31	2,847,794.36	1,641,805.52

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, 2013 and 2012 (expressed as weighted averages) are as follows:

	Percentage	
	Monthly employees	Daily employees
Discount rate	3.14	1.99
Future salary increases	5.00	2.50
Turnover rate	17.00 - 27.00	40.00
Retirement age	60 years	60 years
Mortality rate	Thai Mortality Ordinary Table 2008	
Disability rate	10 percent of Thai Mortality Ordinary Table	

19. DEFERRED TAX

Deferred tax as at December 31, 2013 and 2012 consisted of:

	Baht	
	2013	2012
Deferred tax assets	9,024,543.07	1,081,321.34
Deferred tax liabilities	(3,412,573.86)	(1,940,809.75)
Deferred tax assets (liabilities) - net	5,611,969.21	(859,488.41)

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

	Baht					
	2013			2012		
	At January 1	Profit (loss)	At December 31	At January 1	Profit (loss)	At December 31
Deferred tax assets						
Allowance devaluation of inventories	752,960.24	(564,306.14)	188,654.10	175,593.28	577,366.96	752,960.24
Employee benefit obligations	328,361.10	241,197.77	569,558.87	312,337.47	16,023.63	328,361.10
Tax loss carry forward	-	8,266,330.10	8,266,330.10	1,815,812.97	(1,815,812.97)	-
Total	1,081,321.34	7,943,221.73	9,024,543.07	2,303,743.72	(1,222,422.38)	1,081,321.34
Deferred tax liabilities						
Property, plant and equipment	(1,832,959.85)	(1,579,614.01)	(3,412,573.86)	(1,128,171.58)	(704,788.27)	(1,832,959.85)
Intangible assets	(107,849.90)	107,849.90	-	-	(107,849.90)	(107,849.90)
Total	(1,940,809.75)	(1,471,764.11)	(3,412,573.86)	(1,128,171.58)	(812,638.17)	(1,940,809.75)

20. SHARE CAPITAL

The Company has offerred the share capital of the Company in the amount of 44 million shares to the public for subscription shares on April 29 to 30, 2013 and May 2, 2013 at the offering price of Baht 1.30 per share and the Company registered the change in its fully paid-up share capital from share subscriptions received from Baht 88 million to Baht 110 million with the Ministry of Commerce on May 3, 2013 and the Company recorded expenses for selling share capital in the amount of Baht 4.45 million deducted from share premium account.

The Company issued ordinary shares in the amount of 724,783 shares offering to exercise warrants for directors and employees (see Note 21) at par value of Baht 0.50. On November 22, 2013 the Company registered the change of paid-up share capital from Baht 110 million to Baht 110.36 million with the Ministry of Commerce.

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 are described below:

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	:	1 warrant to 1 ordinary share. (Subject to the right adjustment in accordance with rules and conditions).
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 first exercisable period is November 9-11, 2013 and the last exercisable period is May 2-8, 2018.

As at December 31, 2013, the outstanding warrants not yet exercise are 4.56 million warrants.

22. DIVIDENED PAYMENT

At the Board of Directors' Meeting held on May 14, 2013, a resolution was passed authorizing the interim dividend payment at the rate of Baht 0.04 per share, in the total amount of Baht 8.80 million.

23. EXPENSES BY NATURE

Significant expenses by nature for the years ended December 31, 2013 and 2012 consisted of:

	Baht	
	2013	2012
Changes in inventories of finished goods and work in process	7,092,347.92	(21,337,939.53)
Subcontract expenses	90,232,003.12	87,626,153.02
Raw materials and supplies used	164,795,020.90	208,574,910.81
Employee expenses	93,564,956.26	110,264,329.07
Rental and service expenses	5,978,120.67	4,844,760.00
Depreciation and amortization	26,366,626.92	20,392,366.22
Loss on devaluation of inventories (reversal)	(6,652,643.56)	6,278,010.51
Loss on impairment of assets	2,094,915.82	3,119,308.26
Repair and maintenance expenses	6,615,488.72	6,676,885.37
Travelling expenses	3,653,044.00	3,964,840.51
Utility expenses	17,121,587.06	18,234,230.35

24. FINANCE COSTS

Finance costs for the years ended December 31, 2013 and 2012 consisted of:

	Baht	
	2013	2012
Interest expenses	7,453,573.54	6,619,656.31
Bank charge	702,554.55	936,765.69
Total	8,156,128.09	7,556,422.00

25. INCOME TAX

Corporate income tax for the years ended December 31, 2013 and 2012 was calculated at a rate specified by the Revenue Department on accounting profit (loss) after adjusting certain conditions according to the Revenue Code. The Company recorded the corporate income tax as expense in the financial period 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.

Tax income (expense) for years ended December 31, 2013 and 2012 consisted of:

	Baht	
	2013	2012
Current tax expense		
Current year	-	(1,213,467.57)
Deferred tax expense		
Movement in temporary differences	6,471,457.62	(1,895,033.13)
Income tax rate reduction	-	(140,027.43)
Income tax revenue (expense)	6,471,457.62	(3,248,528.13)

	2013		2012	
	Tax rate (%)	Baht	Tax rate (%)	Baht
Profit (loss) before income tax		(21,047,108.43)		20,493,425.70
Income tax using the corporate tax rate	20	4,209,421.69	(23)	(4,713,487.91)
Expenses not deductible for tax purposes		2,881,806.11		668,128.69
Addition expenses deductible for tax purposes		1,175,102.30		1,016,078.68
Loss carry forward		-		1,815,812.97
Loss for current year		(8,266,330.10)	(6)	-
Current tax	-	-		(1,213,467.57)
Movement in temporary differences		6,471,457.62		(1,895,033.13)
Income tax rate reduction		-		(140,027.43)
Tax income (expense)	31	6,471,457.62	(16)	(3,248,528.13)

26. 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.

27. 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.

28. 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:

Promotional privileges no.1090 (2)/2554, dated January 26, 2011

- 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, 2013 and 2012, consisted of:

	Baht					
	2013			2012		
	Domestic	Overseas	Total	Domestic	Overseas	Total
Promoted business	288,974,232.65	2,676,825.24	291,651,057.89	351,103,832.57	3,351,228.40	354,455,060.97
Non promoted business	94,893,173.72	16,890,776.00	111,783,949.72	101,119,712.10	18,902,797.00	120,022,509.10
Total	383,867,406.37	19,567,601.24	403,435,007.61	452,223,544.67	22,254,025.40	474,477,570.07

29. BUSINESS SEGMENT INFORMATION

The Company operated the business primarily related to manufacture and sell exhaust system and manufacture tooling and the Company has only one geographic segment is Thailand. Therefore, revenues, profit and total assets which presented in the financial statements is related to such business and geographic segment.

The Company has net overseas and domestic sales per total net sales for the years ended December 31, 2013 and 2012, as follows:

	Percent per total net sales	
	2013	2012
Oversea sales	93.24	95.51
Domestic sales	6.76	4.49

30. COMMITMENTS

As at December 31, 2013 the Company had commitments as follows:

30.1 Commitments for payment under agreement as follows:

30.1.1 Payment under rental asset agreement with other companies in the amount of Baht 0.50 million per month.

30.1.2 Payment under guarantee for credit facilities from financial institution with two related companies (see Note 4)

30.1.3 Service agreement with other companies service fee in the amount of Baht 0.19 million per month.

30.1.4 Payment under service agreement with person and other companies in the amount of Baht 0.96 million per month.

30.1.5 Purchase assets with other companies in the remaining amount of Baht 0.08 million.

30.1.6 Payment under land purchase and sale agreement with other companies in the remaining amount of Baht 5.16 million.

30.2 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).

31. FINANCIAL INSTRUMENTS

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

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.

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:

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 because the interest rate of financial assets and financial liabilities fluctuated based on the market rate. In addition, the Company has not engaged in any hedging contracts.

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.

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.

Fair value

Most of the financial assets are trade accounts receivable which are short-term credit. Most of the financial liabilities are trade accounts payable and bank overdrafts and loans from banks 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.

32. APPROVAL OF FINANCIAL STATEMENTS

These financial statements have been approved for issue by the Company's Board of Directors on February 26, 2014.

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, 2013, 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, 2013, and its financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Emphasis of Matters

I draw attention to Note 2 to the financial statements, during the year 2013, the Company has adopted Thai Accounting Standard No. 12, "Income taxes" for the preparation and presentation of these financial statements which have been restated for the effects of the adoption of this Thai Accounting Standard.

My opinion on financial statements is not qualified in respect of this matter.

Prawit Viwanthananut

Certified Public Accountant

Registration Number 4917

PV Audit Co., Ltd.

Bangkok, February 26, 2014

14. Important Financial Information

Financial Status and Performance

14.1 Financial Statement

(a) The auditor and important accounting policies

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

The Auditor report for the Company's financial statement of the accounting year 2011, ending on 31st December 2011, was investigated by ANS Audit co.,ltd, by Mr. Bunchong Pitchayaprasart, the Certified Public Accountant license no. 7147 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 2012, ending on 31st December 2012, was investigated by ANS Audit co.,ltd, by Mr. Bunchong Pitchayaprasart, the Certified Public Accountant license no. 7147 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 2012, ending on 31st December 2012, was investigated by ANS Audit co.,ltd, by Mr. Bunchong Pitchayaprasart, the Certified Public Accountant license no. 7147 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 2013, ending on 31st December 2013, was investigated by ANS Audit co.,ltd, by Mr. Pravit Vivattananutr, 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.

(b) Tables showing the financial status and performance.

(Unit: million Baht)

Summaries of the financial status	Audited					
	Ending on 31st DEC 2011		Ending on 31st DEC 2012*		Ending on 31st DEC 2013	
	Amount	%	Amount	%	Amount	%
Cash and Cash Equivalents	14.83	9.90%	20.46	5.89%	20.88	6.12%
Account Receivable and Other Receivables	34.89	23.31%	64.11	18.44%	51.60	15.11%
Inventories	15.30	10.22%	42.47	12.22%	41.16	12.06%
Other Current Assets	4.86	3.24%	21.36	6.14%	10.35	3.03%
Total Current Assets	**69.87**	**46.68%**	**148.40**	**42.69%**	**123.99**	**36.32%**
Cash in deposits with banks guarantee	1.60	1.07%	5.98	1.72%	5.98	1.75%
Lands, Buildings and Equipments	74.99	50.10%	190.17	54.71%	194.83	57.07%
Intangible Assets	3.03	2.02%	2.00	0.58%	2.85	0.83%

Deferred Tax Assets	-	-	-	-	5.61	1.64%
Other Non-Current Assets	0.20	0.13%	1.05	0.30%	8.14	2.38%
Total Non-Current Assets	**79.82**	**53.32%**	**199.20**	**57.31%**	**217.41**	**63.68%**
Total Assets	**149.69**	**100.00 %**	**347.60**	**100.00 %**	**341.40**	**100.00 %**
Over Draft and Short-Term Loans from Financial Institution	14.00	9.35%	65.44	18.83%	61.07	17.89%
Account Payable and Other Payables	30.88	20.63%	93.17	26.80%	80.36	23.54%
Under 1 Year Liabilities	3.73	2.49%	18.40	5.29%	23.49	6.88%
Accrued Expense	6.26	4.19%	19.80	5.70%	8.19	2.40%
Other Current Liabilities	6.28	4.20%	196.81	56.62%	173.11	50.71%
Total Current Liabilities	**61.15**	**40.85%**	**28.59**	**8.22%**	**16.62**	**4.87%**
Long-Term Loans from Financial Institution	27.68	10.31%	28.59	8.22%	16.62	4.87%
Liabilities under Long-Term Financial Lease	4.51	1.68%	9.19	2.64%	7.86	2.30%
Deferred Tax Liabilities	-	-	1.29	0.37%	-	-
Employee benefits	1.36	0.51%	1.64	0.47%	2.85	0.83%
Total Non-Current Liabilities	**3.63**	**2.43%**	**40.71**	**11.71%**	**27.33**	**8.01%**
Total Liabilities	**64.78**	**43.28%**	**237.52**	**68.33%**	**200.44**	**58.71%**
Registered Capital	88	58.79%	113.00	32.51%	113.00	33.10%
Paid in Capital	88	58.79%	88.00	25.32%	110.36	32.33%
Legal Reserves	-	0.00%	-	-	30.98	9.07%
Unappropriated Retained Earnings	(3.10)	(2.07%)	-	-	0.48	0.14%

Total Owner's Equity	84.90	56.72%	2.22	0.64%	2.22	0.65%

*Financial statement of 2012. Since 2012, there has been enforcement in the standard accounting on income tax, the auditor has improved the deferred income tax and the income tax which have been adjusted from the financial statement of 2011.

(Unit: million Baht)

Statement of Comprehensive Income	Audited					
	2011		2012		2013	
	Amount	%	Amount	%	Amount	%
Revenue from Sales and Services	349.80	96.46%	474.48	97.42%	403.44	98.16%
Costs of Sales and Services	(305.70)	(84.30) %	(400.89)	(82.31)%	(368.12)	(89.57)%
Gross Profit	**44.10**	**12.16%**	**73.59**	**15.11%**	**35.32**	**8.59%**
Selling Expenses	(4.82)	(1.33)%	(5.80)	(1.19)%	(6.42)	(1.56)%
Administrative Expenses	(40.31)	(11.12) %	(52.33)	(10.74)%	(49.35)	(12.01)%
Operating Profit	**(1.03)**	**(0.28)%**	**15.46**	**3.17%**	**(20.45)**	**(4.98)%**
Other Revenues	12.83	3.54%	12.59	2.58%	7.56	1.84%
Financial Costs	(4.61)	(1.27)%	(7.56)	(1.55)%	(8.16)	(1.99)%
Profit before Tax	**7.19**	**1.98%**	**20.49**	**4.21%**	**(21.05)**	**(5.12)%**
Income Tax	-	-	(3.25)	(0.67)%	6.47	1.57%

Profit per installment	7.19	1.98%	17.24	3.54%	(14.58)	(3.55)%
Other Comprehensive Income Items	-	-	-	-	-	-
Comprehensive Income per Installment	7.19	1.98%	17.24	3.54%	(14.58)	(3.55)%

Basic Earnings (Loss) per Share						
Weighted Average Number of Ordinary Shares (Shares)	88,000,000		176,000,000		205,204,374	
Profit per Shares (Baht / Share)	0.05		0.10		(0.07)	
At the value of 0.50 per share	0.50		0.50		0.50	
Diluted Earnings (Loss) per Share						
Weighted Average Number of Ordinary Shares (Shares)					208,230,649	
Profit per Shares (Baht / Share)					(0.07)	
At the value of 0.50 per share					0.50	

(Unit: million Baht)

Statement of Cash Flow	Audited		
	2011	2012	2013
Cash Flow from Operating Activities			
Profit before Tax	7.19	20.49	(21.05)
Adjusting profit before tax to net cash from (used in) operating activities			
Depreciation and Amortization	14.47	20.39	26.37
Loss (Profit) from amortization	(0.05)	2.20	0.13
Doubtful Debts	-	0.13	-
Loss (profit) from depreciation of assets	0.25	6.28	(6.65)
Loss (profit) from impairment of assets	(2.88)	3.12	2.09
Employees benefits debts estmation	0.25	0.28	1.21
Stock warrant issues payment	-	-	0.48
Interest received	(0.09)	(0.19)	(0.18)
Interest earned	4.03	7.56	8.16
Operating profit before change in operating assets and liabilities	23.09	60.26	10.56

Changes in operating assets (increasing) decreasing			
Account Receivable and other Receivable	(11.15)	(6.19)	12.51
Inventories	(2.83)	(23.76)	7.96
Other Current Assets	0.38	(11.40)	11.01
Other Non-Current Assets	0.20	(0.01)	(5.17)
Changes in operating liabilities (decreasing) increasing			
Account Payable and other Payables	0.20	26.24	(12.80)
Other Current Liabilities	9.80	12.08	(11.59)
Cash Inflows from Operation	0.20	57.22	12.48
Interest Received	0.07	0.20	0.17
Income Tax	(1.01)	(2.26)	(1.92)
Net Cash Provided by Operating Activities	**8.86**	**55.16**	**10.73**
Cash Flows from Investing Activities			
Cash in Deposit to Financial Institution with increased guarantee	(3.58)	(0.79)	-
Buying Lands and Equipment	(55.49)	(46.02)	(32.60)
Buying Intangible Assets	(0.72)	(1.30)	(1.36)
Cash inflows from selling of equipments	1.14	1.30	14.83
Net Cash in Investing Actovities	**(58.65)**	**(46.81)**	**(19.13)**

(Unit: million Baht)

Statement of Cash Flow	Audited		
	2011	2012	2013
Cash from Financing Activity			
Overdraft and Short-Term loans from Financial Institution, Increasing (decreasing)	31.77	7.59	(4.37)
Long-Term Loans from Financial Institution	30.66	13.72	-
Repayment of Long-Term Loans from Financial Institution	(4.03)	(9.64)	(11.47)
Payment of Liabilities under Financial Lease	(4.56)	(4.28)	(11.72)
Dividend	(6.16)	-	(8.80)
Interest	(4.07)	(7.56)	(8.17)
Payment of Common Stocks	-	-	53.35
Net Cash from (used in) Financing Activities	**43.61**	**(0.17)**	**8.82**
Net Increase of Cash and Cash Equivalents	**(6.18)**	**8.18**	**0.42**
Beginning Balance of Cash and Cash Equivalents	18.46	12.28	20.46
Remaining Balance of Cash and Cash Equivalents	**12.28**	**20.46**	**20.88**

(c) Key Financial Ratio

Financial Ratio		2011	2012	2013
Liquidity Ratio				
Current Ratio	Times	0.74	0.75	0.72
Quick Ratio	Times	0.49	0.43	0.42
Cash Flow Liquidity Ratio	Times	0.02	0.29	0.07
Account Receivable Turnover	Times	6.89	8.16	8.03
Average Collection Period	Days	52.23	44.13	44.83
Inventory Turnover	Times	12.32	11.89	8.80
Average holding period	Days	29.22	30.29	40.90
Payable Turnover	Times	6.13	6.40	5.08
Payable Conversion Period	Days	58.77	56.29	70.81
Cash cycle	Days	22.69	18.13	14.92
Profitability Ratio				
Gross Profit Margin	%	12.61	15.51	8.75
Operating Profit Margin	%	(0.29)	3.26	(5.07)
Other Profit	%	3.54	4.21	(5.12)
Quality of Earnings	%	(174.5)	356.77	(52.47)
Net Profit Margin	%	1.98	3.54	(3.55)
Return on Equity (ROE)	%	7.68	15.60	(10.34)

Efficiency Ratio				
Return on Assets (ROA)	%	3.00	5.59	(4.23)
Return on Fixed Assets (ROFA)	%	16.86	21.94	6.13
Total Asset Turnover	Times	1.51	1.58	1.19
Financial Policy Ratio				
Debt to Equity Ratio	Times	1.92	2.15	1.42
Interest Coverage Ratio	Times	0.69	6.60	1.55
Cash basis	Times	0.03	1.08	0.27
Dividend Payout	%	49.93	-	(0.60)

15. The Annual Audit Committee Report for the Year 2013

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 Miss Pimsiripat Chanyapol, 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 2013 and during the year 2014, up until the date of the report, 2 more times for the total of 7 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 2013** 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 2013, 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.

3. **The review of the internal audit** by evaluating the working procedures, planning, reporting and following through with the advice of Audit House co.,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 2014, in order to further present it for approval by the Board of the Directors in the annual shareholders meeting of the year 2014. 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. Banchong Pitchayaprasart, Certified Public Accountant license no.7147 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 2014 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 Kanichnun

(Chairman of the Audit committee)

24 February 2014

16. Management Discussion & Analysis

16.1 Performance

Overview of Past Performance

Sanko Diecasting (Thailand) Public co.,ltd (herein refer to as the Company) was founded by Sanko Diecasting Industry co.,ltd (Japan) on 4th January 1996 with the head office and the factory in the Rojana Industril Park, Rayong on a 14,745m^2 piece of land. The Company operates in producing parts for automobiles, electronic goods and farming machineries with the process of High Pressure Die Casting (HPDC) by using molds. The ingredients used are Aluminum and Zinc. In addition, the Company services the customers by designing the molds to suit the work that they desire.

In 2011, the sales of the Company had been on a constant increase since 2012, which was the result from the recovery trend of the global economy and it continued to affect the economy locally and nationally. In addition, the government had proceeded with policies that stimulated household spending, for example, tax benefits for the consumer of the automobiles industry, tax remittance on oil fund and the support to the private sector's business for example, decreasing the amount of corporate income tax and pegging the price of liquefied petroleum gas (LPG). The economic trend and the government's policies mentioned above greatly affected the confidence of the consumers and stimulate spending.

In 2012, the Company's revenue was 487.07 million Baht. This is an increase from 2011 which was the result of the economic expansion and the increase to the orders in some portions came from the remaining stocks at the end of 2011 where some of the business owners had to suspend the operation due to the flood. In addition, the Company's revenue from sales was 15.32 million Baht, from the agreement to give technical supports to a parts producing company in another country.

In 2013, the Company's revenue was 410.99 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.

Revenue

In the year 2011, 2012 and 2013, the Company has the total revenue of 362.62 million Baht, 487.07 million Baht and 410.99 million Baht respectively. The total revenue can be summarized as follows;

Revenue	2011		2012		2013	
	Amount (Baht)	%	Amount (Baht)	%	Amount (Baht)	%
Revenue from Sales						
Automobile Industry						
- Parts	191.03	52.68	274.45	56.35	211.95	51.57
- Molds	12.69	3.50	10.16	2.09	22.69	5.52
Motorcycle Industry						
- Parts	85.29	23.52	93.76	19.25	71.34	17.36
- Molds	6.48	1.79	8.29	1.70	33.21	8.08
Electronics Industry						
- Parts	29.96	8.26	39.07	8.02	33.63	8.18
- Molds	4.24	1.17	4.37	0.90	4.23	1.03

Revenue	2011		2012		2013	
	Amount (Baht)	%	Amount (Baht)	%	Amount (Baht)	%
Agricultural Machinery Industry and others						
- Parts	19.73	5.441	27.33	5.61	18.7	4.55
- Molds	0.38	0.11	1.73	0.36	-	-
Total Revenue from Sales	349.8	96.46	459.16	94.27	395.75	96.29
Revenue from Services	-	-	15.32	3.15	7.69	1.87
Revenue from Sales and Services	349.80	96.46	474.48	97.42	403.44	98.17
Other Revenue*	12.83	3.54	12.59	2.58	7.54	1.83
Total Revenue	**362.63**	**100.00**	**487.07**	**100.00**	**410.98**	**100.00**

*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

The revenue structure of the Company in the year 2011 2012 and 2013 shows the Company's main income came from the selling of parts and molds to the customers in the automobile industry which accounts for 56.18%, 58.44% and 57.09% of revenue respectively. The revenue from the customers in the motorcycle industry accounts for 25.31%, 20.95% and 25.44% of revenue respectively. The revenue from the customers in the electronics industry accounts for 9.43%, 8.92% and 9.21% of revenue respectively. The revenue from the customers in the agricultural machinery industry and others accounts for 5.55%, 5.97% and 4.55% of revenue respectively.

In 2011, the total revenue of the Company was 364.65 million Baht, an increase of 64.81 million Baht from 2010 or a 21.62% expansion. This is due to the recovery trend of the global economy which had a knock on effect to the economy locally and nationally and to the government's policy to encourage spending where the expansion of the total revenue in 2011 came from the increase in sales of parts to the automobile industry for 10.23 million Baht or 5.66% expansion and the increase in sales of parts to the motorcycle industry for 42.07 million Baht from 2010 or 92.96% expansion. The continuous increase in revenue is due to the increase in purchasing orders of parts from the customers in the automobile and the motorcycle industries.

In 2012, the total revenue of the Company was 487.07 million Baht, an increase of 124.44 million Baht from 2011 or a 34.32% expansion. This is due to the growth of the economy and some portions of the increase in production came from the customers who were affected with the flood crisis towards the end of 2011. 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 2012 was equal to 15.32 million Baht.

In 2013, the total revenue of the Company was 410.99 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.

Other Revenue

In the year 2009, 2010, 2011 and 2012, the Company's other revenue amount to 5.94 million Baht, 8.57 million Baht, 12.83 million Baht and 12.59 million Baht respectively. Other Revenue of the Company 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.

In 2011, other revenue increased 49.66% from 2010. This is due to the selling of the scraps and leftover ingredients from production. In addition, the Company received the income from testing the extrusion samples which came from the trial production of the new customers who were affected by the flood crisis towards the end of 2011.

In 2012, other revenue had decreased 0.24 million Baht or 1.86%, compared to the year 2011. This is due to the declining of the test extrusion samples, which reduce the 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.

Costs of Sales and Gross Profit

In the year 2011, 2012 and 2013, the Company's total cost of sales was 305.70 million Baht, 400.89 million Baht and 368.12 million Baht or 84.30%, 82.31% and 89.57% of the total revenue respectively. This results in the gross profit margin of the year 2011, 2012 and 2013 to be 12.61%, 15.51% and 8.59% respectively.

In 2012, the Company's gross profit was 73.59 million Baht, a 66.87% increase compared to 2011. This is due to the increase in parts orders from the customers that were faced with the flood crisis in 2011. Since these orders were urgent, the Company was able to quote the price with a high gross profit margin. Additionally, the Company received the revenue from services for 15.32 million Baht from the technical support agreement which has a higher gross profit margin than the parts producing operation. This results in a higher overall gross profit.

In 2013, the Company's costs of sales was 368.12 million Baht or 89.57% 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.

Selling and Management Expenses

Most of the Company's costs of sales are fixed costs such as salary, over-time, sales commissions and transportation rental. In 2011, 2012 and 2013, the selling expenses in the Company were 4.82 million Baht, 5.80 million Baht and 6.41 million Baht or 1.33%, 1.19% and 1.56% of total revenue respectively. In the year 2010 and 2011, selling expenses had increased 44.40% and 20.50% respectively compared to the previous years, which is a result from the increase in the salary of sales staff since the Company had expanded the number of sales personnel to support the growing business and for the petrol of the delivery vehicles.

As for 2012, the selling expenses had increased 20.33% compared to the previous year. This is due to the rise of the sales staff's salary and variables costs that followed suit which are petrol and vehicle rental fees.

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 2011, 2012 and 2013, the management expenses of the Company were 40.31 million Baht, 52.33 million Baht and 49.35 million Baht or 11.12%, 10.74% and 12.01% of the total revenue respectively.

In 2012, the management costs had increase 29.82% from the previous year. This is due to the increase in the base salary, workers benefits, supporting the provident funds, profit from amortization and profit from depreciation of assets. In addition, during 2012, the Company made a loss over the depreciation of assets equal to 3.12 million Baht and loss from amortization of intangible assets in the form of the Enterprise

Resource Planning program (ERP) amounting to 2.14 million Baht which I-Vision Solution co.,ltd, the company that was hired for the project, had delayed in the design and development of the said program

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.

Operating Profit Margin and Net Profit Margin

In 2011, the Company had the operating loss of 1.03 million Baht or operating loss ratio of 0.29%. The loss during the same time was from the reduction in gross profit margin since the price of LPG which was used as fuel in the furnace had increased and the Company suffered an increase in management expenses in the form of bonuses and staffs benefits. Additionally, the Company paid the staff's benefits debts for the retired workers equal to 3.13 million Baht.

The operating profit of the Company in 2012 was equal to 15.46 million Baht, or the operating profit margin of 3.17%. This is due to the increase of the gross profit margin from the customers affected by the flood crisis towards the end of 2011 and from the technical support agreement which has a higher gross profit margin than the parts producing operation.

In 2013, the Company's operating loss was 20.45 million Baht or the operating loss ratio of 232.29%. 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.

During 2011 and 2012, net profit was equal to 7.19 million Baht and 17.24 million Baht respectively, or as net profit margin for the year 2011 and 2012 of 1.98% and 3.54% respectively. In 2013, net loss income was equal to 14.58 million Baht or net loss income ratio of 3.55%.

Net profit margin in 2011 was decreasing in comparison to the previous year due to the reduction in gross profit from the increase in price of the Natural Gas (NG) which is used as fuel in the furnace, the management expenses from the staff's benefits debts and the increase in financial costs.

The Company's net income in 2012 was equal to 17.24 million Baht or a 139.78% increase when compared with the net income 7.19% in 2011 from the increase in gross profit, the rushed orders from the customers who were affected by the flood crisis in the end of 2011 and from the services of the technical support agreement.

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.

Return on Equity

The return on equity for the year 2011, 2012 and 2013 was equal to 7.68%, 15.60% and -10.34% respectively. When compared with the previous year, the return on equity of 2011 was decreasing since the Company carried an increase in the costs of fuel, management expenses and financial costs which affected the operating profit and net income. As for the return on equity in 2012, it had been on an increase when compared to 2011 since the gross profit margin had risen which affected the operating profit and net income.

In addition, the Company paid out its dividend to shareholders with payout ratio for the performance year of 2009 and 2010 at 22.15% and 49.93% 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%.

16.2.2 Financial Status

Assets

The Company has the total assets by the end of the year 2011, 2012 and 2013 amounting to 268.56 million Baht, 347.60 million Baht and 341.40 million Baht respectively. Details of the Company's assets are as follows;

Current assets as of the end of 2011, 2012 and 2013 are equal to 105.28 million Baht, 148.40 million Baht and 123.99 million Baht or 39.20%, 42.69% and 36.32% of the total assets of the Company respectively. The majority of the Company's current assets consists of account receivables and other receivables and inventory stocks, which is in accordance with the nature of factory business that produces goods to sell. The aforementioned current assets will adjust itself to the same direction as sales, while the Company's non-current assets consist of lands, buildings and equipment.

The Company has non-current assets in the year 2010, 2011 and 2012 equal to 163.29 million Baht, 199.21 million Baht or 217.41 million Baht or 60.80%, 57.31% and 63.68% of the total assets respectively.

Account Receivables and Allowance for Doubtful Debts

At the end of 2011, 2012 and 2013, the Company's account receivables were at 56.55 million Baht, 60.63 million Baht and 40.84 million Baht respectively. The decline of the account receivables in 2013 was due to the automobiles business which 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'. In 2011, 2012 and 2013, the Company's account receivable turnovers were equal to 6.89 times, 8.16 times and 8.30 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 2011		31 Dec 2012		31 Dec 2013	
	amount	%	amount	%	amount	%
Account Receivables (not yet due)	56.55	100.00	55.59	91.67	36.76	90.01
Overdue						
1 – 30 days	-	-	2.10	3.46	3.82	9.35
31 – 60 days	-	-	1.96	3.23	0.23	0.56
61 – 120 days	-	-	0.98	1.62	0.03	0.07
More than 120 days	-	-	-	-	-	-
Account receivables before doubtful debts						

Repayment Period	31 Dec 2011		31 Dec 2012		31 Dec 2013	
	amount	%	amount	%	amount	%
Allowance for Doubtful Debts	-	-	-	-	-	-
Gross Account Receivables	56.55	100.00	60.63	100.00	40.84	100.00

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 2011, 2012 and 2013, the Company had the total inventory stocks of 24.98 million Baht, 42.47 million Baht and 41.16 million Baht respectively.

Unit: Million Baht

Repayment Period	31 Dec 2011		31 Dec 2012		31 Dec 2013	
	amount	%	amount	%	amount	%
Finished Goods	8.52	34.12	26.99	63.54	14.14	34.35
Work in Process	12.81	51.30	17.72	41.71	23.48	57.05
Ingredients	3.01	12.05	2.52	5.93	1.43	3.47
Spare Parts	2.23	8.93	3.12	7.34	3.33	8.09
Total	26.57	106.41	50.35	118.53	42.38	102.96

Repayment Period	31 Dec 2011		31 Dec 2012		31 Dec 2013	
	amount	%	amount	%	amount	%
Allowance for write – down of inventory	1.60	6.41	7.87	18.53	1.22	2.96
Total Inventory Stocks	24.98	100.00	42.47	100.00	41.16	100.00

Inventory stocks in the year 2011 had been increasing 11.47% in comparison to the previous year. This is due to the increase in the orders largely from the customers in the automobile and the motorcycle industries, which reflects the trend of the global economic recovery and has a knock on effect to the economy locally and nationally, and also to the government's spending stimulant policies, for example, tax benefits to consumers in the automobile industry. Spare parts, ingredients and finished goods have increased 38.51%, 28.63% and 20.51% respectively.

In 2012, the inventory stock is equal to 42.47 million Baht, divided into the work in process and the finished goods, amounting to 63.54% and 41.71% respectively. This is the increase in the orders by the customers who were affected by the flood crisis.

In 2012, the inventory stock is equal to 41.16 million Baht, divided into the work in process and the finished goods, 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 2011, 2012 and 2013, the Company's inventory turnover was equal to 12.32 times, 11.89 times and 8.80 times respectively.

The Company has the policy to set allowances for depreciated, damaged, outdated, or aged goods where the Company will consider the net realizable value into account. This will evaluate the difference

between the costs and sales price which the Company will record the value of loss from depreciation to the costs in the Profit and Loss statement. However, the Company operates in selling and producing parts which are unique to each customer for each model, which results in a low allowance for depreciation in the year 2011, 2012 and 2013, where the Company had set the depreciation allowance at 1.60 million Baht, 7.87 million Baht and 1.22 million Baht respectively or as the total inventory stock ratio at 6.41%, 18.53% and 2.96% respectively.

Lands, Building and Equipment

At the end of 2011, 2012 and 2013, the Company had lands, buildings and equipment in total 152.99 million Baht, 190.17 million Baht and 194.83 million Baht, or in the ratio of total assets at 56.97%, 54.71% and 57.07% respectively.

The Company had invested in lands, buildings and equipment in 2011 for 55.49 million Baht. During that year, the investment was made in the Learning Centre to use as the new office, improving the factories and office buildings and spent on machineries and equipment.

In 2012, the Company had invested in lands, buildings and equipment for 46.02 million Baht by buying the lands with a factory in the area adjacent to the Company to expand and use as finishing department and warehouse. In addition, the Company had invested in machineries to increase production capacity.

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.

Cash Flow from Operating Activities

In 2011, net cash that the Company had earned from operating activities was equal to 1.80 million Baht. This is because of the increase in costs of sales from the rise in the furnace fuel prices. The main items are; earnings before tax at 7.19 million Baht, depreciation and amortization at 14.47 million Baht, account receivable and other receivables had increased 11.15 million Baht and the inventory stock had increased 2.83 million Baht.

In 2012, net cash earned from operating activities was equal to 55.16 million Baht, an increase from 2011 since the sales had gone up and the costs of sales had been reduced. The main items are; earnings before tax at 20.49 million Baht, depreciation and amortization at 20.39 million Baht, account receivable and other receivables had increased 6.19 million Baht and the inventory stock had increased 23.77 million Baht, current assets had increased 11.40 million Baht, account payable and other payables had increased 26.24 million Baht and current liability had increased 12.08 million Baht. Additionally, the Company made a loss in amortization at 2.20 million Baht, loss from depreciation 6.28 million Baht and loss from the impairment of assets for 3.12 million Baht.

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 at 7.96 million, other current assets had increased 5.17 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.

Investing Activities

In 2011 the Company had investing activities totaling 58.65 million Baht. The main items are the costs of constructing the Learning Centre and the improvement of the factory building at 23.06 million Baht and the costs of buying machineries and equipment at 31.05 million Baht.

In 2012, the Company used cash on investing activities as indicated in the budget for 46.81 million Baht. The main items are the investment in expanding the factory by buying the adjacent lands with buildings amounting to 23.27 million Baht and the machineries and equipment for 19.81 million Baht.

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 31.02 million Baht, selling of and renting back the machineries for 14.83 million Baht.

Cash Flow from Financing Activities

In 2011, the Company received cash from financing activities, in accordance with the budget, amounting to 43.61 million Baht, with the main reason being overdraft and short term loans from financial institution for 31.78 million Baht, long-term loans from financial institution for 30.66 million Baht. The aforementioned loans were for constructing the Learning Centre building, improving the factory building and to buy machineries and equipment. In addition, the loan was used to pay back long term loan from financial institution for 4.03 million Baht, pay back debts under financial lease for 4.56 million Baht, interest payment for 4.07 million Baht and pay out the dividend for the performance year of 2010 amounting to 6.16 million Baht to shareholders for 176,000,000 shares at 0.035 Baht per share.

In 2012, the Company received cash from financing activities, in accordance with the budget, amounting to 0.17 million Baht, with the main reason being to take the long-term loan from financial institution

for 13.72 million Baht, to pay back long-term loan debts from financial institution for 9.64 million Baht, to pay back debts under financial lease for 4.28 million Baht and for the interest payment totaling 7.56 million Baht.

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 11.47 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.

Current Ratio

In 2011, 2012 and 2013, the Company's current ratio was equal to 0.74 times, 0.75 times and 0.72 times respectively and at the same time, the quick ratio was equal to 0.49 times, 0.43 times and 0.42 times respectively. The current ratio and quick ratio are on the decreasing trend as a result from the continuous increase in sales since 2009. This means that the Company must increasingly provide funds and ingredients. Additionally, the Company had invested in lands, buildings and machineries by forming a contract for a long-term loan with a financial institution and financial lease, resulting in an increase in the debts due within one year.

In 2011, 2012 and 2013, the Company had the same amount of collection period equal to 52.23 days, 44.13 days and 55.83 days respectively. Since 2011, the economy had slowly adjusted better, resulting in the normal collection period. Not until 2013 where the cancellation of the pre-ordered cars from the government's First-Car policy affected the customers in a way that they postpone the orders, which led to a decrease in sales, thus increasing the collection period.

In 2011, 2012 and 2013, the Company's average sales period was 29.22 days, 30.29 days and 40.90 days respectively. The average sales period of 2011 and 2012 were standard but in 2013, the cancellation of

pre-ordered cars from the government's First-Car policy, resulted in a slowdown and delay the orders, making the sales smaller and the average sales period longer.

In 2011, 2012 and 2013, the Company's average collection period was 58.77 days, 56.29 days and 70.81 days respectively. In 2011 and 2012, there was a trend that the financial crisis may be over which led to the normal collection of customers' debts, with no need to extend the collection period, thus bringing down the average. In 2013, the cancellation of pre-ordered cars from the government's First-Car policy, resulted in a slowdown and delay the orders and reduce the sales volume.

		2011	2012	2013
Current Ratio	Times	0.74	0.75	0.72
Quick Ratio	Times	0.49	0.43	0.42
Average Collection Period	Days	52.23	44.13	44.83
Inventory Turnover	Days	29.22	30.29	40.90
Average Repayment Period	Days	58.77	56.29	70.81
Cash Cycle	Days	22.69	18.13	14.92

Source of Investment Funds

Debts

The Company has total current liabilities in the year 2011, 2012 and 2013 equal to 142.92 million Baht, 196.81 million Baht and 173.11 million Baht respectively, and non-current liabilities of 33.54 million Baht, 40.28 million Baht and 27.33 million Baht respectively.

During 2011, the Company's current liabilities amount to 142.92 million Baht and non-current liabilities amount to 33.54 million Baht. The Company's loans had increased from the year 2010 to be 56.59 million Baht from overdraft account and short term loans from financial institution to serve as working capital since the Company had purchased more products to support the growth of sales from 26.07 million Baht in 2010 to 57.85 million Baht in 2011, or 121.90% growth. In addition, the Company also took up long-term loan from a financial institution because it had invested in expanding the factory and increasing the machineries for higher production capacity from 2.91 million Baht in 2010 to 27.68 million Baht in 2011 or 851.20% increase.

In 2012, the Company's current liabilities amount to 196.81 million Baht and non-current liabilities amount to 40.71 million Baht. The Company's loans had increased from the year 2011 for 16.47 million Baht. This is due to the increase of the long-term loans due within 1 year, increasing from 10.44 million Baht, in 2011, to 18.40 million Baht in 2012. Overdraft account and short term loans from financial institution had increased from 57.85 million Baht in 2011 to 65.44 million Baht in 2012. Additionally, the long term loan had increased from 27.68 million Baht in 2011 to 28.59 million Baht in 2012.

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.

(Unit: million Baht)

(Unit: million Baht)	31 Dec 2011	31 Dec 2012	31 Dec 2013
Overdraft Account and Short-term Loans from Financial Institution	57.85	65.44	61.07
Long-Term Loans	27.68	28.59	16.62
Long-Term Loans due within 1 Year	10.44	18.40	23.49
Total Funds	95.97	112.43	101.18

At the end of 2011, 2012 and 2013, the Company's debt to equity ratio was equal to 1.92 times, 2.15 times and 1.42 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.

In 2011 and 2012, the short-term, current liability of the Company had expanded continuously. This is because the Company needed to increase the working capital following the ongoing rise of sales growth. In 2013, the shares of the Company had decreased since there was a common stock issue to raise investment funds.

Shareholder's Equity

On 31st December 2011, the Company's shareholder's equity was worth 93.27 million Baht. The decrease in shareholder's equity was the result from the dividend payout for the performance year of 2010 at 6.16 million Baht and retained earnings of 2.84 million Baht.

On 31st December 2012, the Company's shareholder's equity was worth 110.52 million Baht. The increase in shareholder's equity was the result from the performance year of 2012 with retained earnings of 16.28 million Baht.

On 31st 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.

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 176 million shares to 226 million shares, and will result in net loss per share under the 2013 budget which was calculated with fully-diluted basis, by using the numbers of shares after the sales to the public as the base of the calculation. The result will be at 0.070 Baht per share from previously 0.071 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.

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for your satisfactions"


