

# Annual Report 2012

รายงานประจำปี 2555



**Giving** the **Most Value**  
to **Customers**



บริษัท ฟอ์ตูน พาร์ท อินดัสตรี จำกัด (มหาชน)

FORTUNE PARTS INDUSTRY PUBLIC COMPANY LIMITED





# **ONE** STOP SERVICE FOR **AUTOMOTIVE** PARTS AND PRODUCTION

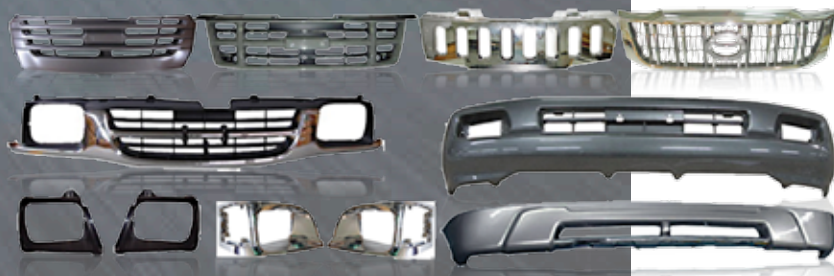
We are the one of the leading plastic automotive parts manufacturer and hub of ASEAN market automotive parts with international standards onto worldwide.





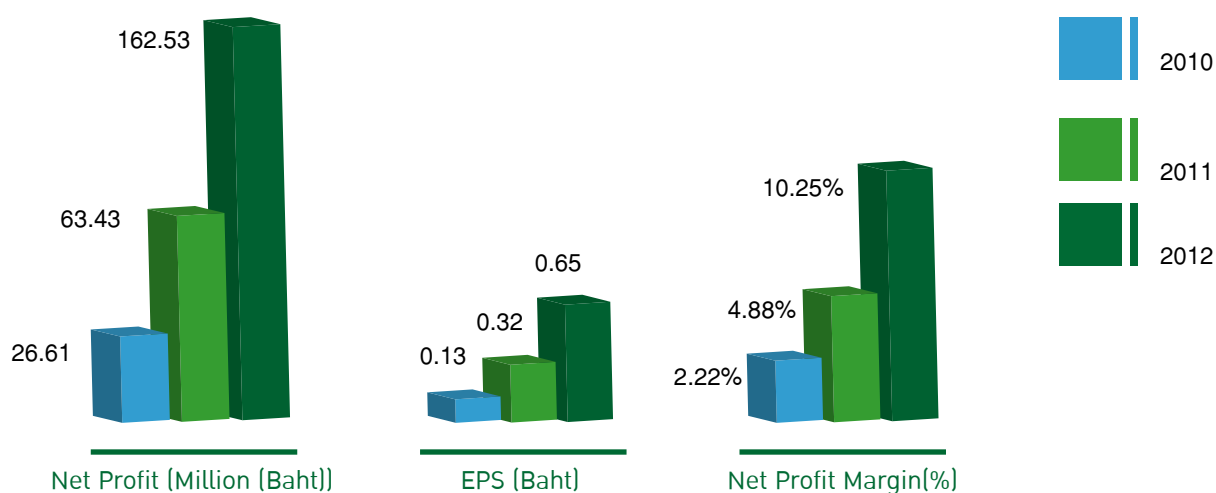
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## Financial Highlight

	Unit : Million (Baht)			
	2010	2011	2012	+/-
Details				
Assets	1,139.27	1,221.26	1,549.46	26.9%
Liabilities	872.91	914.65	945.37	3.4%
Equity	266.36	306.61	604.09	97.0%
Paid-up Capital	200.00	232.00	295.00	27.2%
Revenue	1,197.44	1,300.37	1,585.86	22.0%
Net Profit	26.61	63.43	162.53	156.2%
EPS (Baht)	0.13	0.32	0.65	103.1%
Net Profit Margin(%)	2.22	4.88	10.25	110.0%
ROA(%)	2.34	5.37	17.89	244.7%
ROE(%)	9.99	22.14	35.69	72.5%
D/E Ratio	3.28	2.98	1.56	-47.7%



The company's total income in 2012 was 1585.86 million Baht, raise 22.0% from a year earlier. The net profit was 162.53 million Baht, up 99.10 million or increase of 156.2% compared to the previous year. The sales and service revenue was Baht 1,500.21 million Baht, higher than a previous year 22.3%. That is higher than the company's target at 20%. Because of the growth of the automobile industry in the country, penetration of the international market continuously, investment in new mold much more than 100 molds in 2012 and we can make the value added to our products by adding painting process for the company's products exiting in 2012.



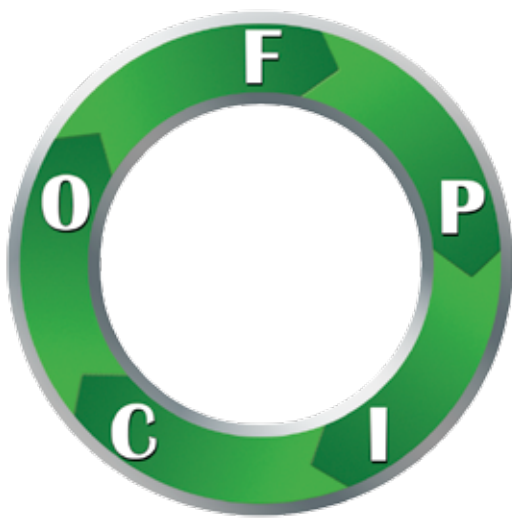
# Vision & Mission

## VISION

“WE are the one of the leading plastic automotive parts manufacturer and hub of ASEAN market automotive parts with international standards onto worldwide.”

## MISSION

With our goal to become a leading full-fledged automotive parts manufacturer as well as the center of Asian Region to market automotive parts at a global level, the company has deployed a strategy to compete in the business arena by adhering to the mission of “Giving the Most Value to Customers” through our five business development policies i.e.:



### **F**orever Continuous Improvement

We start right from product quality development, product development research and capacity enhancement in bid to bring about new competitive innovations.

### **P**roducing Quality Products

As the Company is dedicated to offering quality products and service and , it ensures quality of every stage from designing products by 3D computer program for the entire production process which meets international standard

### **I**nternational Penetration

To ceaselessly expand market base for both OEM and REM worldwide. It has participated in a number of internationally-acclaimed auto trade fairs around the world.

### **C**ustomer Satisfaction

Creating customer satisfaction has always been at heart of the operation. Our sales force can communicate in many languages and thus can effectively respond to customers around the world. To add, the service is catered to them with utmost hospitality and sincerity in order to build long-lasting relationship.

### **O**n Time Delivery

Delivering products on time is another serious commitment of the company. Advanced logistic management system is put in place to provide on-time delivery.



## Message from the Executive Committee

More over 20 years since FPI founded, the year 2012 as a success year of Fortune Parts Industry Public Co.,Ltd. in parallel with the growth of the automotive industry in Thailand that has produced at 2.46 million car units, it is the most archived in 50 years since Thailand's automotive industry started. And total production in the year 2015 is expected to reach 3 million car units by a policy of trade liberalization and economic integration AEC is an important driving force.

Since 2005, the company has developed technology to shift up the standard of production process from Replacement Equipment Manufacturer (REM) to Original Equipment Manufacturer (OEM) production standards. By use technology from Japan and Germany which is green technology, environmental friendly. The company's products are recognized by customers for more than 112 countries worldwide. The company has revenues from export more than 1,250 million Baht per year.

On the occasion of celebrating the 20th anniversary of the establishment the Securities and Exchange Commission (SEC), FPI has been selected as the first company of "the pride of the province" project, the first of Pathum Thani province. Therefore, the company is the first courage in Thailand for this project. And the company has been listed on the Market for Alternative Investment (mai) on September 20, 2555. Whole had made the Executive Committee and Employees pride.

For the year 2013, the Executive Committee is committed to co-operate with industry-leading global manufacturer of automotive parts, continue to focus on production quality, expand production capacity with cost efficiency, product development to meet customer needs. Include the continuous development under Corporate Governance (Corporate Governance; CG) and is always aware of Corporate Social Responsibility (CSR) with the support in the Education, creating jobs and income to promote health and sustainable cultural practices to enhance the social well-being parallel with the development of the country. There are the reason for the maximize return to shareholders in the long term.

Lastly, I would like to thank all the shareholders, trade partners and financial institutions who have trusted and have always provided support. Thanks also to our employees who have demonstrated commitment, perserverance, patience, and worked tirelessly together during this past year.

Sompol Tanadumrongsak  
Chairman of the Executive Committee  
Fortune Parts Industry Public Company Limited





## Report of the Audit Committee

Dear Shareholders,

The Audit Committee performed the duties as assigned by The Board of Directors of the Company to assist the Board of Directors in supervising business operations. In year 2012, the Audit Committee had carried out the duties under the responsibilities according to the principles of good governance by holding 4 committee meetings as can be summarizes as follow :

1. Reviewed quarterly and annual financial statements with the Finance and Accounting Department to ensure that the statements have project accurate financial status and operating results and conformed to Generally Accepted Accounting Principles (GAAP). The Audit Committee had also ensured the significant information of the financial statements had been disclosed, events after the statement of financial position date, and accounting adjustment significantly affecting the financial statements in the note to the financial statements before they were filed to the Stock Exchange of Thailand and the Office of the Securities and Exchange Commission.

2. Reviewed the sufficiency of the internal control system with the internal auditor and provided recommendations to the Internal Auditors in order to generate efficient operational results.

3. Reviewed operational results of various Departments to ensure that the Company has been aware and attached importance to the management of business according to the principles of good governance by focusing on efficient control of business operations, transparency and ethical conduct, which would bring about confidence among shareholders, investors and all parties concerned.

4. Attend the meetings with the auditor for quarterly and yearly to discuss and listen the explanation relating to the auditing results and important information relating to financial statements, internal control information and the change of accounting policy which could significantly affect the financial statements.

5. Followed up the changes in accounting standards to ensure that the accounting system of the Company conform to Generally Accepted Accounting Principles (GAAP).

6. Ensured that the Company follow up the Acts, rules and regulations relating to the securities and exchange, the regulations of the Stock Exchange of Thailand and laws relating to the business of the Company.

7. Reviewed and approved connected transactions between the Company or its subsidiary company and the persons or juristic persons or connect juristic persons to ensure that they have complied with the rules and regulations of the Office of the Securities and Exchange Commission and the Stock Exchange of Thailand.

8. Considered and provided recommendation on improvement of the management, the operations, internal control and other related matters of the Company to increase the efficiency and effectiveness of the Company's operations as well as to follow up the recommendations or remarks or comments.

9. Considered the Company's risk and COSO evaluated in order to report to the Board of Directors for the future actions.

10. Summarized results of the meetings of the Audit Committee in order to report to the Board of Directors for acknowledgement or for consideration after every such meeting.

11. Approved the annual internal audit plan as well as providing operational guidelines for the audit program, followed up the progress of the operations according to the recommendations of the Audit Committee meeting.

12. Considered, selected, nominated and recommend compensation the auditor for year 2012 to be submitted for approval by the Board of Directors and to be future proposed for approval by the ordinary meeting of shareholders.

13. The Audit Committee has performed the full scope of authority set forth in the Charter of the Audit Committee in compliance with the Securities and Exchange Law and regulations of the Stock Exchange of Thailand.

The Audit Committee is of the opinion that the operations of the Company for year 2012 had been under internal control and appropriate internal audit, carried out with good governance, transparency, ethical conduct and sufficient internal control. Relevant requirement and laws had been properly observed and the management had performed its duties honestly to protect the interest of the Company and the shareholders. In addition, the Company had also improved the working and management system on a regular basis.

Ph.D. Naris Chaiyasoot

Chairman of the Audit Committee

Fortune Parts Industry Public Company Limited



## Board of Directors



Mr. Por Tanadumrongsa  
*President*



Mr. Sangcharean Tanadumrongsa  
*Vice President*



Mr. Sompol Tanadumrongsa  
*Director, Chairman of the Executive Committee and Managing Director*



Mr. Somkit Tanadumrongsa  
*Director*



Mr. Yanyongchai Tanadumrongsa  
*Director*



Mrs. Raweewan Mathong  
*Director*



Naris Chaiyasoot (Ph,D)  
*Independent Director and Chairman of the Audit Committee*



Mr. Anant Gatepithaya  
*Independent Director and Audit Committee*



Mr. Pumipat Sinacharoen  
*Independent Director and Audit Committee*

## General Company Information

<b>Company Name</b>	: Fortune Parts Industry Public Company Limited : “FPI”
<b>Business Registration</b>	: No. 0107574700508
<b>Type of Business</b>	: Designing product & making tooling for plastic automotive parts production which sells both Replacement Equipment Manufacturer (REM) and Original Equipment Manufacturer (OEM) automotive parts, as well as provides injection, chrome plating and painting services for all plastic products.
<b>Head Office and Factory</b>	: 11/22 Moo 20 Nimitmai Road, Lamlukka, Lamlukka, Pathumthani 12150
<b>Web Site</b>	: <a href="http://www.fpiautoparts.com">http://www.fpiautoparts.com</a>
<b>Tel</b>	: 02-993-4970-77
<b>Fax</b>	: 02-993-4982
<b>Registered &amp; Paid up Capital</b>	: Common Shares 295 million Baht Par 1 Baht per share (295 million shares)
<b>Auditor</b>	: Khun Vissuta Jariyathanakorn C.P.A. License No. 3853 Ernst & Young Office Limited
<b>Financial Advisor</b>	: Finansia Syrus Securities Public Company Limited



DATSUN 620 PICKUP 1972



NISSAN NAVARA 2011 GRILLE MODIFY



NISSAN PATROL 2010 GRILLE



TOYOTA DYNA 1981



TOYOTA HIACE 2010 GRILLE



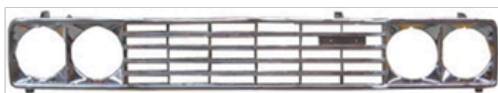
TOYOTA HILUX VIGO 2012 GRILLE MODIFY



TOYOTA RN25 PICKUP 1974



IZUSU KB PICKUP 1972



MAZDA B1600 PICKUP 1977



MITSUBISHI L200 PICKUP 1983

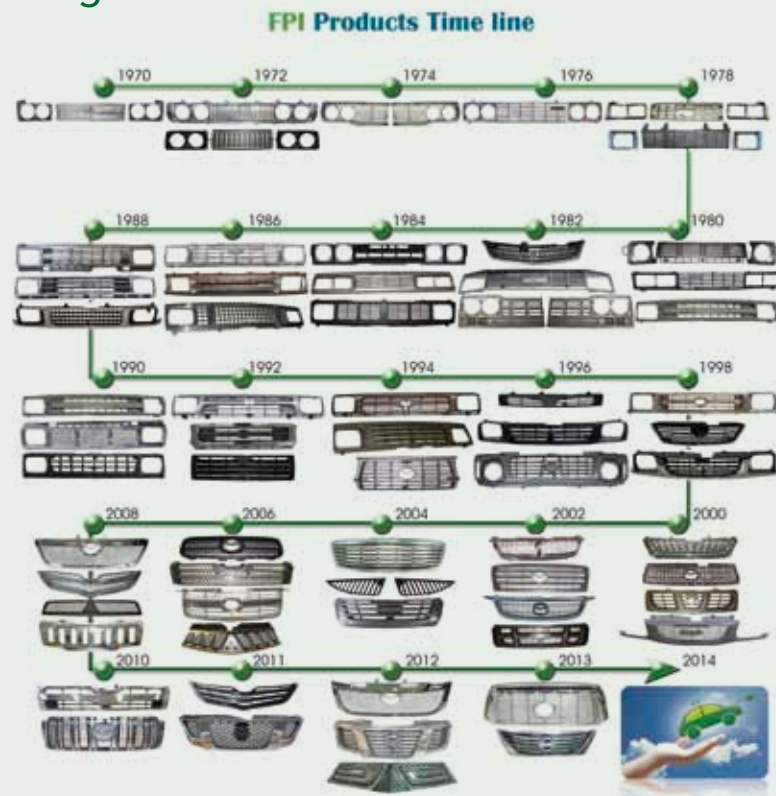


TOYOTA HILUX PICK 1994



TOYOTA YN 80 PICKUP 1989

## Company Background



Fortune Parts Industry Public Company Limited was established on November 26, 1991 under the name of "Fortune Parts Industry Company Limited" with initial registered capital of 2.00 million Baht. In the beginning, the Company imported 2 molds from Taiwan and hired other factories to produce and sell in Thailand. In 1993, the Company imported 20 molds from Taiwan to produce grill, bumper and other auto parts generated from plastic by itself. Thus, the Company entered into auto parts industry entirely including plastic injection, chrome plating, painting and assembly, including mold design and development. In May 18, 2004 the Company converted into public company limited together with the change of its name to "Fortune Parts Industry Public Company Limited". On June 30, 2012, the Company had registered capital of 295,000,000 Baht and September 20, 2012 listed in "mai" paid up capital of 295,000,000 Baht.

Major developments of the Company in the past can be classified as follows:

### 1993

- Increased paid up capital to 20.00 million Baht for importing 20 molds from Profortune Industry Company Limited

### 1994

- Increased paid up capital to 40.00 million Baht, which Profortune Industry Company Limited from Taiwan invested in the Company by holding 20% of total paid up capital.

### 1996

- Increased paid up capital to 60.00 million Baht and began to produce molds by hiring specialist from Taiwan to work with the Company.
- Initially participated in auto parts expo "AMPA SHOW" in Taiwan and exported products to foreign countries.

### 2001

- Increased paid up capital to 80.00 million Baht to purchase land, 11 rais 60 square wah for building a factory at Lamlukka klong 7 for expanding its production base prepared for foreign customers expansion.



## 2002

- Moved factory from Lamlukka klong 7 to Lamlukka Klong 4 which usable area of 16,000 Sqm.

## 2004

- Restructured its shareholders since Profortune Industry Company Limited sold its business and sold the Company's shares back to Tanadumrongsak family.
- Converted to public company limited and changed the name to "Fortune Parts Industry Public Company Limited"

## 2004-2005

- Increased paid up capital to 200.00 million baht for business expansion as follow:
- Built factory and warehouse on area of 14 rais 1 ngan 28 square wah, totally 25 rais 1 ngan 88 square wah for expanding all production processes.
- Invested in automatic chrome plating line, which increased capacity from 13 million square decimeters per year to 49 million square decimeters per year.
- Mold development and research by importing CNC machine (Computer Numerical Control) and EMD machine (Electrical Discharged Machine) from foreign countries for building large tools such as bumper and grill. Consequently, the Company was able to reduce its cost from import mold from foreign countries.
- Increased another automatic painting line, total 2 lines, prepared for OEM customers, causing in an increase of painting capacity to 15.72 million square decimeters per year.

## 2009

- Modified chrome plating system by using technology and chemical solution from UEMURA (Japan) and ATOTECH (German) for improving its quality from REM quality to OEM line with Trivalent Chrome Plating (Cr3+) which used better biodegradable chemical solution than Hexavalent Chrome (Cr6+) and increased capacity by 5 million square decimeters to 54 million square decimeters per year.

## 2010

- Built raw material warehouse area of 1,800 square meters.
- Invested in 4 injection machines, total 20 injection machines which increased its capacity to 4,103 tons per year.
- Built a painting line, total 3 lines, capacity was increased by 15.72 million square meters to 22.22 million square meters
- Purchased nearby land area 20 rais 4 square wah prepared for automotive customers' demand and separated OEM and REM customers.

## 2011

- Invested in a plastic injection set up with robot system which increased its capacity to 4,839 tons per year.
- Increased a painting line, total 4 lines which increased its capacity from 22.22 million square decimeters to 28.72 million square decimeters per year, prepared for OEM customers.
- Increased registered capital to 295.00 million Baht by issuing 95.00 million shares, with a par value of 1.00 Baht which can be allocated as follows :
  - 32,000,000 common shares to existing shareholders, which already allocated, resulting in the Company had paid up capital of 230,000,000 shares
  - 60,000,000 common shares offer to initial public offering.
  - 3,000,000 common shares offer to the Company's directors and employees.

## 2012

- Acquired two more plots of land nearby i.e. 4 rais and 1-2-99 rais to prepare for continuous improvement expansion of production, research & development and mold makings area, new office building and showroom.
- List our company in Stock Exchange of Thailand for Market for Alternative Investment (MAI) on September 20, 2012.

## Type of Business

Fortune Parts Industry Public Company Limited (“the Company”) is a plastic automotive parts manufacturer which sells both Replacement Equipment Manufacturer (REM) and Original Equipment Manufacturer (OEM) automotive parts, as well as provides injection, chrome plating and painting services for plastic products.

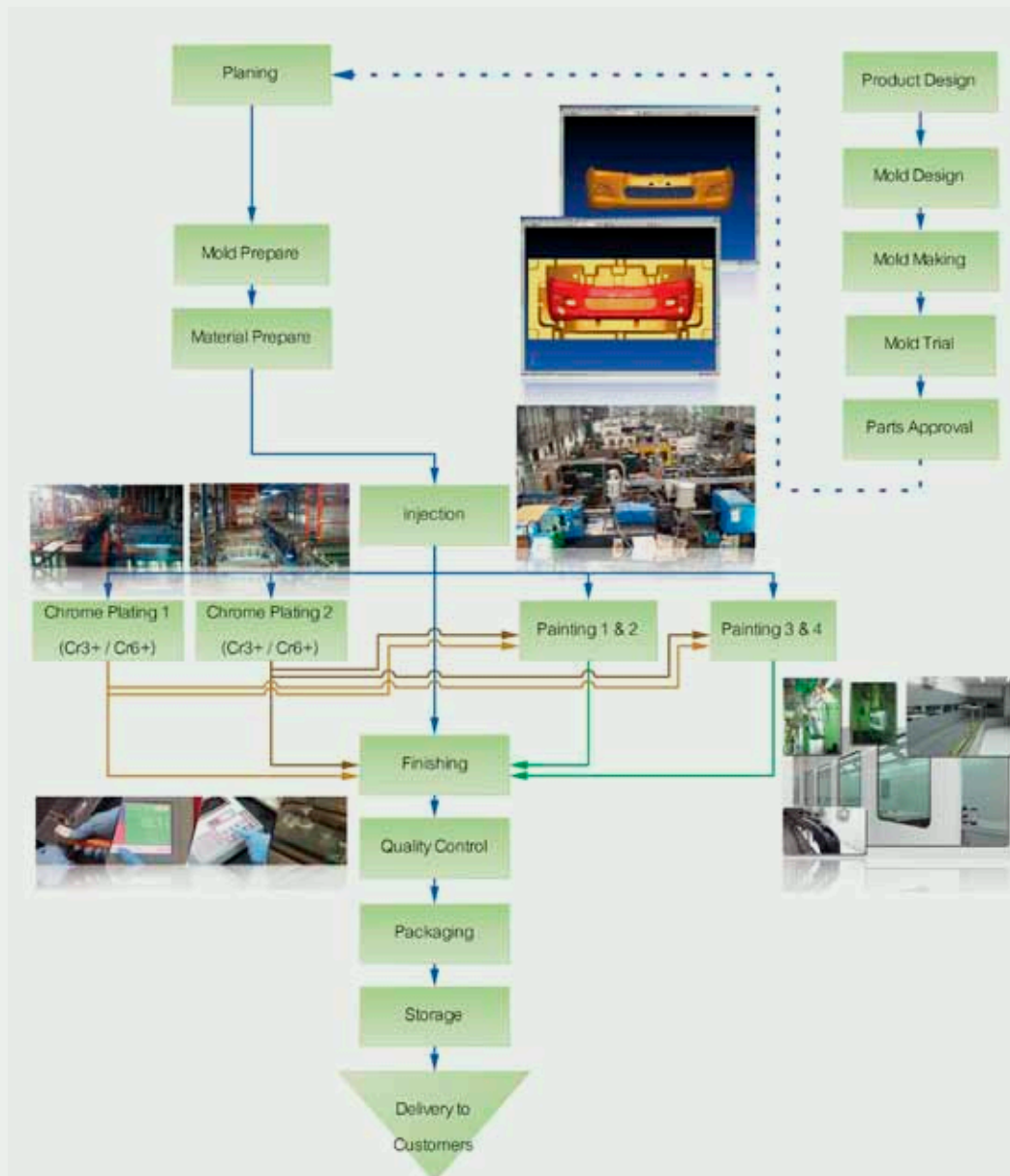
The Company’s products and services can be divided into 3 categories as follows;

1. The products produced by the Company are REM and OEM automotive parts, which mainly are automotive body parts and can be divided into 2 categories as follows:

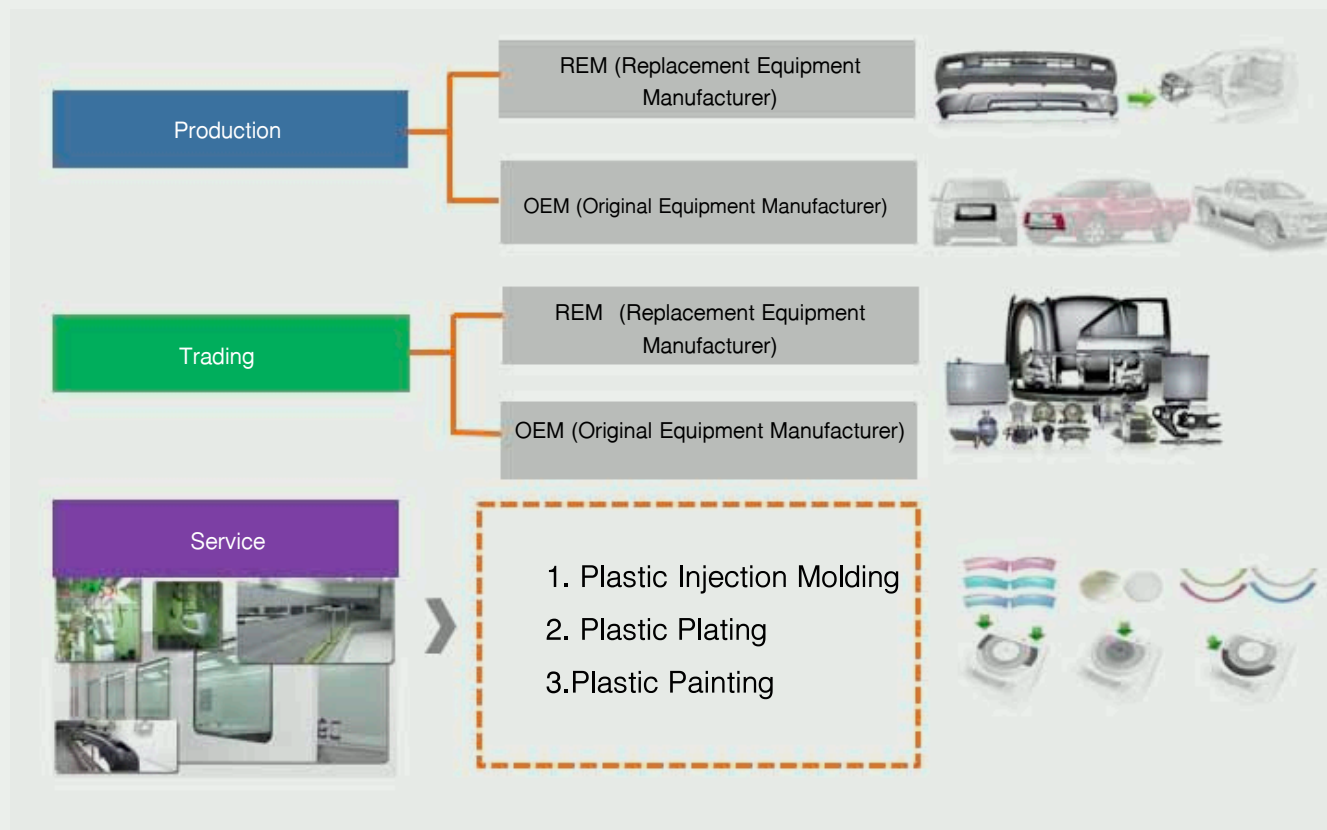
(1) Replacement Equipment Manufacturer (REM) Plastic Parts

The products in this category can be divided into 4 types as follows;

1.1 Grille and Head Light Door: Products in this category are produced and sold under brand “FPI”. Size of these production molds is typically small. The main raw material is Acrylonitrile Butadiene Styrene (ABS) which has properties of toughness, rigidity, and can be chromed for a better appearance.



1.2 Bumper and Valance Panel: Products in this category are produced and sold under brand “FPI”. Size of these production molds is quite large. The Company has bumper and valance panel molds more than 300 molds, making the Company to be one of the leaders in bumper and valance panel production. The main raw material is Polypropylene (PP) which has properties of flexibility and easy for fabrication.



1.3 Auto Lamps: Products in this category are produced and sold under the Company’s brand “Koto”. The main raw materials are Acrylic, which has properties of transparency and various colors production capability; and Polycarbonate (PC) which is durable and heat resistant, for producing a front lamp.

1.4 Other Replacement Parts: Products in this category are not main plastic products of the Company such as spoiler, skirt set, and accessories, which are produced and sold under brand “FPI”. The raw materials are both ABS and PP.

(2) Original Equipment Manufacturer (OEM) Plastic Parts are made-to-order products which can be both co-designed by the Company and client and customised by client. Clients of the Company are both first tier and second tier manufacturers.

The Company has produced parts for several automobile brands such as Toyota, Nissan, Isuzu, Mazda, Mitsubishi, Hino, Honda, Suzuki, Tata, Daewoo, Hyundai, Kea, Chevrolet, Ford, Volvo, and Land Rover. The main products are accessories parts. Besides of producing the automotive parts for the automobile brands, the Company also produces other plastic parts for electrical parts manufacturers such as refrigerator grips and washing machine lids.

2. Trading products are OEM and REM automotive parts, including body part assembly, suspension and interior parts. The Company distributes these products in order to facilitate its customers to obtain any products they need as one-stop service. This group of products can be divided into 3 types as follows;



(1) Replacement Equipment Manufacturer (REM) Parts

Products in this category can be divided into 3 types as follows;

1.1 Replacement Equipment Manufacturer Plastic Parts: products are plastic parts which are not produced by the Company because of small volume of purchase orders or low value of product such as fenders and radiator shroud, etc.

1.2 Replacement Equipment Manufacturer Metal Parts: products are metal body parts such as hoods, doors, rear bumpers and radiator supports, etc.

1.3 Other Replacement Equipment Manufacturer Parts: for example, rubber parts, suspension parts and engine and brake parts, etc.

(2) Original Equipment Manufacturer (OEM) Parts which are products purchased from dealers of authentic automotive brands' products such as head lamps, tail lamps, bumpers, and accessories parts, etc.

(3) Other Products are raw materials such as plastics and packaging which sold to the factories hired to produce parts as quality set by the Company.

3. Plastic production services: the Company provides 3 types of plastic production services, which are plastic injection, chrome plating on plastic, and painting. Majority, the services are for automotive parts production that the Company has skill, and well accepted standard, including sanitary ware parts and electrical parts productions.

In addition, Fortune Parts Industry Public Company limited is a leading supplier of automotive components integrated as Body Parts, Suspension Parts, Engine Parts, Electrical Parts, Coolant Parts and Accessories by our vision "A leader in the production of automotive parts made from plastic and a hub of ASIAN to market automotive parts in the world. With the potential to compete in the international level".

### FPI's Major Products

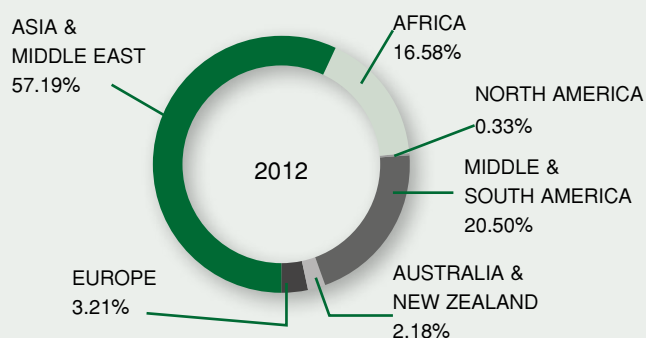
Bumper Grille Head lamp 7 Tail Lamp



## Income Structure

Revenue Classification	2010		2011		2012	
	MB	%	MB	%	MB	%
<b>Products Produced by FPI</b>						
1. Replacement Equipment Manufacturer (REM)						
Plastic Parts						
- Grille and Head Light Door	181.64	15.17	210.34	16.18	257.22	16.22
- Bumper and Valance Pane	214.20	17.89	282.35	21.71	356.39	22.47
- Auto Lamps	16.24	1.36	17.37	1.34	13.97	0.88
- Other Replacement Parts	38.63	3.23	38.40	2.95	49.20	3.10
2. Original Equipment Manufacturer (OEM) Plastic Parts	106.81	8.92	89.68	6.90	124.76	7.87
<b>Total Revenue from Products Produced by FPI</b>	<b>557.53</b>	<b>46.56</b>	<b>638.15</b>	<b>49.07</b>	<b>801.54</b>	<b>50.54</b>
<b>Trading Products</b>						
1. Replacement Equipment Manufacturer (REM) Parts	99.24	8.29	111.29	8.56	128.35	8.09
- Replacement Equipment Manufacturer Plastic Parts	143.28	11.97	180.73	13.90	209.94	13.24
- Replacement Equipment Manufacturer Metal Parts	50.63	4.23	38.61	2.97	31.41	1.98
- Other Replacement Equipment Manufacturer Parts	274.04	22.89	227.45	17.49	294.62	18.58
2. Original Equipment Manufacturer (OEM) Plastic Parts						
<b>Total Revenues from Trading Products</b>	<b>567.20</b>	<b>47.37</b>	<b>558.09</b>	<b>42.92</b>	<b>664.32</b>	<b>41.89</b>
<b>Revenues from Other Products</b>	<b>10.70</b>	<b>0.89</b>	<b>13.04</b>	<b>1.00</b>	<b>7.09</b>	<b>0.45</b>
<b>Total Revenues from Sales</b>	<b>1,135.44</b>	<b>94.82</b>	<b>1,209.27</b>	<b>92.99</b>	<b>1,472.96</b>	<b>92.88</b>
Revenues from Services	18.30	1.53	17.16	1.32	27.25	1.72
Other Revenues <sup>1)</sup>	43.7	3.65	73.93	5.69	85.65	5.40
<b>Total Revenues</b>	<b>1,197.44</b>	<b>100.00</b>	<b>1,300.38</b>	<b>100.00</b>	<b>1,585.86</b>	<b>100.00</b>

Remark : <sup>1)</sup> Other revenues consist of export compensation revenues, gain from exchange rate, interest income, gain from sales of molds, and sales of scrap.



# Product Procurement

## 1. Production

The Company's factory is located on 11/22 Moo 20, Nimitmai Road, Lamlukka, Pathumthani with the total area of 58-0-91 rais, while the constructed area was 25-1-88 rais. The utilised areas are divided into factory for 8,200 square metres, and warehouse for 48,000 square metres. The Company's products mainly are plastic automotive parts for both REM which the Company designs products and creates molds, and OEM. The main production process can be classified into 4 functions as follows;

- Plastic Injection Process is the process using machines from United States of America, Japan, and Taiwan from small to large injection machines, totally 27 machines. Increasing the production machinery (injection) during the year 2555-2556 9 The total capacity up to 7,226 tons/year, up 42% from year 2011 to increase production capacity in the following products.
  - Bumper : Capacity up to 3,950 tons/year, or an increase of 52%.
  - Grille : Capacity up to 3,100 tons/year, or an increase of 34%.
  - Head lights and Tail lights : Capacity up to 176 tons/year, or an increase of 12%.
- Plastic Chrome Plating Process is the process using machines and chemical substances from Germany and Japan, totally 2 production lines.
- Painting Process is the process that has a qualified standard accepted from leading car brands worldwide. Those processes are belt conveyor painting which is suitable for product that requires special precision, hand hanging conveyor painting with 3-layer painting which is suitable for OEM, and floor conveyor painting which is suitable for large parts, totally 4 production lines.
- Product Testing and Quality Checking Process

## 2. Production Process

In case of new products, the working process will begin from product design, mold design, mold testing and product parts approval, after product parts get approval, the production process will begin.

In case of products which already have molds, when the Company receives purchasing order and there are inadequate products in its warehouse or when the product quantity is below its safety stock which will be reviewed by warehouse department, the production department will get the production order via Manufacturing Resource Planning system (MRP) and commence the production process.

Plastic automotive parts production process can be described as follows;

- 1.1 Production planning
- 1.2 Mold preparation
- 1.3 Raw material preparation
- 1.4 Plastic and other related raw materials combination
- 1.5 Dried up
- 1.6 Injection



After finish the injection process, products will be delivered to chrome plating and/or painting. Each product has different process, some products have to be plated and painted, some products have to be solely either plated or painted and some products can be exempted those processes and directly to be assembled and polished.

- 1.7 Chrome plating
  - 1.8 Painting and dried up
  - 1.9 Assemble and polishing
  - 1.10 Quality approval
  - 1.11 Packaging
- 



## Industry and competition

The Company is a plastic automotive manufacturer supporting for both OEM and REM markets. In REM industry, the Company is one of the leaders in the market, one of its advantages is products in Japanese pick-up markets such as Toyota, Mazda, Isuzu, Mitsubishi, Suzuki and Nissan, since Thailand is the biggest one-ton pick up production base. Moreover, the Company has a lower production cost than Taiwan who is its main competitor. Products from China and Malaysia mostly will be produced for their domestic markets. Even though, China products have lower price, but the quality of the Company's product is better than China. Thus, customers still purchase products from the Company except Africa market and old automotive model market over 10 years which have not prioritized on the quality of the product.

Moreover, the Company has policy to expand OEM production with its international production quality which consecutively receives acceptance from more automotive brands. Nowadays, the Company has produced for Mazda, Isuzu, Mitsubishi, Nissan, Suzuki, Land Rover, General Motor, and Toyota, including first tier and second tier automotive producers. Meanwhile, the Company has continually developed its products to increase the value of its products.



## Risk Factors

### 1. Risk on material price and material procurement

The main materials which the Company uses in production process are Acrylonitrile Butadiene Styrene and Polypropylene. In 2011 and 2012, the proportion of plastic purchased to total raw material purchased were 54.54% and 55.25% respectively. These material values vary according to crude oil price and the demand and supply of those materials in the global market during the different period which is the uncontrollable factor of the Company. However, the Company has assigned a specific work force to closely monitor the price of materials, tendency analysis and assessment of material need. Furthermore, the Company has a policy not to rely on any single supplier, as a result the effect on this risk on the Company is not much

### 2. Risk on the fluctuation of exchange rate

Almost all of the Company's revenues are in US Dollar which generates from export representing 86.58% and 86.50% from total sales of 2011 and 2012. At the same time, the Company purchased machines, materials and some trading products from foreign countries. Most of these transactions are paid in US Dollar which can mitigate some of the exchange rate risk consider as a natural hedge. Moreover, the Company has a risk management policy to mitigate the impact of exchange rate risk by purchasing forward contract covering 6 months oversea account receivable.

### 3. Risk from lack of long-term contracts

Practically, there is no long term contract with customers in auto parts industry. For Original Equipment Manufacturing, the mold production contract and minimum purchasing order might be specified. For Replacement Equipment Manufacturing, the contract agreement will not be established but will have only purchasing order. In case of auto parts, which has not produced and sold in Thailand, the customers have to provide their yearly projection purchasing orders. Regarding to the Company's production capability especially replacement auto parts and efficiency in product on-time delivery, the Company has acquired the customer's confident, resulting in the repeated customers. Even the lack of long-term contracts, 70% of the clients has been the customers of the Company for more than 10 years.

### 4. Risk of Asean Economic Community (AEC)

Asean Economic Community in 2015 is the most challenge matter to Thailand's auto parts industry. Each country will try to be more competitive and provide strategy to attract more investment. However, Thailand still has advantages in producing diesel engines and being 1 ton pickup and eco car production base. The Company has already prepared for AEC. In OEM, the Company has full production line including plastic injection, chrome plating, painting and CNC machines for creating mold by itself. Moreover, the Company has been certified on its production standard both general production standard and specific automotive industry standard. For REM, the Company has been in the industry for long time and possess a number of molds especially Japan pick up, since Thailand is 1 ton pick up production base as well as understands customers' behavior in each area and maintain good relationship with customers. Then, the Company still has competitive advantages.

## 5. Risk on Auto Parts Industry Competition

There are a lot of OEM entrepreneurs in Auto Industry, around 1,800 companies in Thailand. Due to the relocation of 1 ton pick up production base to Thailand in 1993, Auto Industry has grown continually. In 2012 the automotive production volume is 2.46 million cars from 1.46 million cars from 2011. Moreover, the automotive parts and labors will be independently transferred throughout the ASEAN when the commencement of Asian Economic Community in 2015 and the competition will be severer. The Company has prepared for AEC with a full production line, CNC machines for mold building by itself, and production certificates. From the above mentioned, the Company is confident that it has capability to compete with other entrepreneurs.

For REM auto parts industry, the competition is limited. Each entrepreneur has its niche market, while plastic body parts replacement producers for Japan 1 ton pickup have approximately 10 companies which are the Company's main competitors. Since the Company has been in this industry for more than 20 years, it has more than 1,500 molds. Most of them are Japanese 1 ton pickup molds which the Company has an advantage because Thailand is 1 ton pick up production base. Moreover, the Company production quality is similar to OEM products, making the company a favor in this industry.

## 6. Risk of the sanctioned countries list customers

Due to the Company exports and sells to countries which are in sanction countries list, countries with sovereignty concern such as Iran, Iraq, Lybia, Sudan, Syria, Afghanistan and Myanmar, The Company may have risk on cannot collect money from these countries.

However, most of the Company's customers in this group do not have payment problem but have limitation in oversea fund transfer causing the longer period to transfer the funds. The revenues from this group equaled to 6%-7% of total revenues by average from the past, respectively. However, the Company is always cautious on selling to these countries by dealing with only its existing customers who have strong statement and good credit profile. For new customers, they have to transfer money before the Company delivers its products (T/T before Shipment) .7.

## 7. Risk on flooding problem

In 2011, surrounding factories faced flood problem but the Company's factory and office did not affect from flood due to its sufficiency prevention. The Company was able to produce and deliver its products to customers on time. Most of customers are overseas; the Company can carry products in container and directly send to sea port, the Company consequently did not confront any distribution problem. Thus, there was only a minor effect in the fourth quarter of 2011. In present, the Company has cautiously prepared itself for the uncontrollable disaster, for example, building fence around the Company and prepare drainers. Moreover, the Company has purchased an insurance cover for all risks including flood disaster.

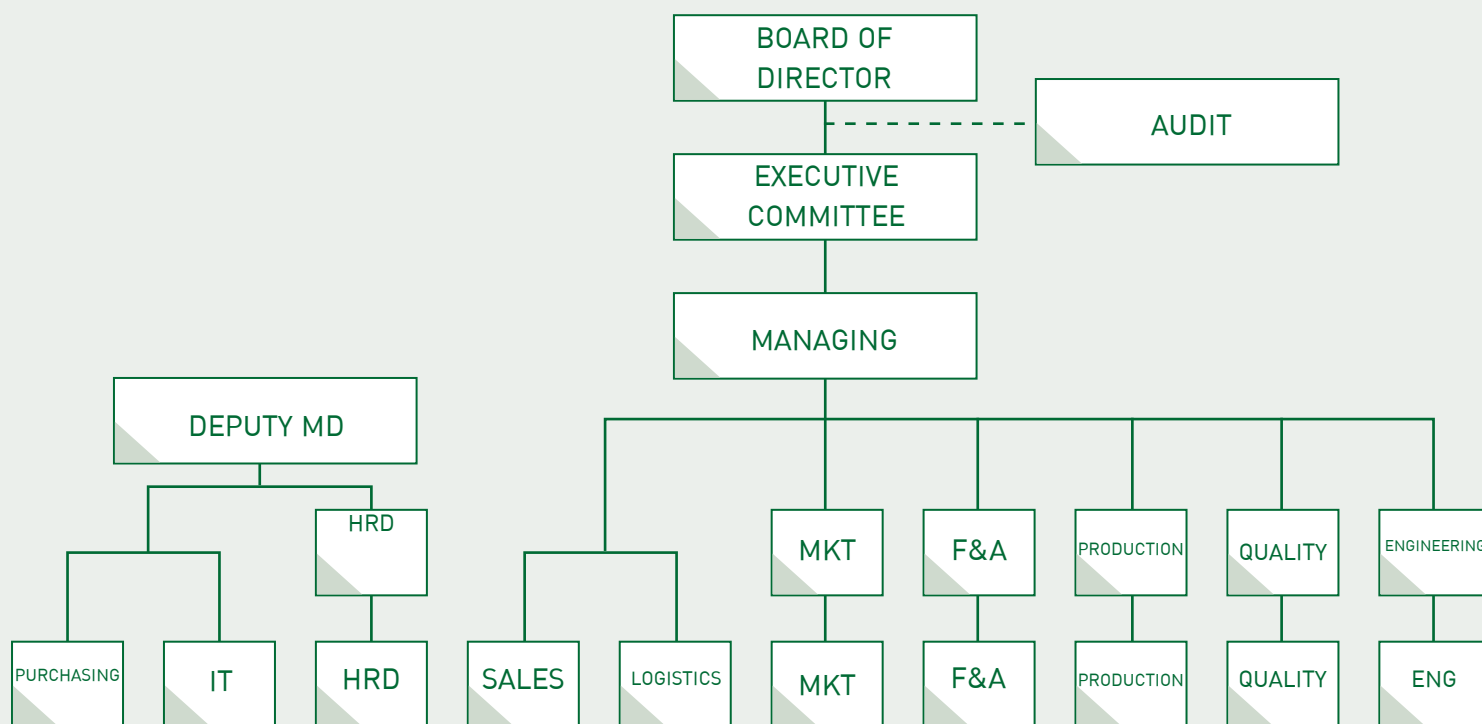


## Major Shareholders

Shareholding structure as of December 31, 2012 as follows :

Shareholders			No. of Shares	%
1.	Mr. Sompol	Tanadumrongsak	100,572,000	34.09%
2.	Miss. Atchara	Tanadumrongsak	34,830,000	11.81%
3.	Mr. Apisit	Tanadumrongsak	21,692,000	7.35%
4.	Mr. Yanyongchai	Tanadumrongsak	21,692,000	7.35%
5.	Mr. Somkit	Tanadumrongsak	21,692,000	7.35%
6.	Mr. Por	Tanadumrongsak	10,846,000	3.68%
7.	Mrs. Raweewan	Mathong	10,846,000	3.68%
8.	Miss Malerat	Tanadumrongsak	9,860,000	3.34%
9.	Mrs. Uraiwan	Sirsut	1,782,000	0.60%
10.	Others Shareholders		61,188,000	20.74%

## Organization chart



## Organization Structure

The management structure of the company consists of the Board of Directors, the Audit Committee and the Executive Committee. All member of the board and management of the company are qualified under Section 68 of the Companies Act, 1991 and the Notification of the Capital Market Committee and details of the management structure of the company is as follows:

### Board of Directors

Name	Position
1. Mr. Por Tanadumrongsak	Chairman of the Board
2. Mr. Sangcharean Tanadumrongsak	Vice Chairman
3. Mr. Sompol Tanadumrongsak	Director, Chairman of the Executive Committee and Managing Director
4. Mr. Somkit Tanadumrongsak	Director
5. Mr. Yanyongchai Tanadumrongsak	Director
6. Mrs. Raweewan Mathong	Director
7. Mr. Naris Chaياسoot (Ph,D)	Independent Director and Chairman of the Audit Committee
8. Mr. Anant Gatepithaya	Independent Director and Audit Committee
9. Mr. Pumipat Sinacharoen	Independent Director and Audit Committee

### Audit Committee

Name	Position
1. Mr. Naris Chaياسoot (Ph,D)	Chairman of the Audit Committee
2. Mr. Anant Gatepithaya*	Audit Committee
3. Mr. Pumipat Sinacharoen*	Audit Committee

Remark : Members of audit committee who have knowledge and experience to verify reliability of the financial statements and Ms. Wanvimol Jongsureyapas is the secretary of the Audit Committee.

#### Duties and Responsibilities

1. To review the accuracy and sufficiency of the financial reports of the Company.
2. To review the Company to ensure that the internal control and internal audit systems are suitable, and effective, and to review the independence of internal audit section, including approving the appointment, transference, or termination of internal audit section supervisor (heads) or those of other workgroups responsible for internal audit.
3. To review the Company to ensure that its operation is in accordance with the laws governing Securities and Exchange, regulations of the SET and laws concerning the business of the Company.
4. To consider, propose, and appoint independent persons who shall be assigned as the Company's auditor, to propose auditor's remuneration, and to participate in a meeting with the auditors at least once a year without management team.
5. To review connected transactions or any other transaction that may cause potential conflicts of interest in accordance with SET laws and SET regulations in order to ensure that those items are reasonable and of utmost benefits to the Company.

6. To publicize the audit committee report signed by the chairman of the audit committee in the Company's annual report; the report should include the following details.

- (a) Opinions on accuracy, completeness and credibility of the Company's financial reports;
- (b) Opinions on sufficiency of the company's internal control system;
- (c) Opinions on the Company's compliance with the laws governing Securities and Exchange, regulations of the SET and laws concerning the business of the Company.
- (d) Opinions on suitability of auditors of the Company;
- (e) Opinions on transactions of possible conflicts of interest.
- (f) The number of audit committee's meetings, and attendance of each audit committee member;
- (g) Opinions or observation by the audit committee during their auditing practice according to charter; and
- (h) Other transactions that shareholders and public investors should be informed under the scope of work and responsibilities assigned by the Company's board of directors.

7. To take care of any other action assigned by the board of directors with the consent of audit committee.

The term of audit committee members

Chairman of the audit committee : 2 years

Member of the audit committee : 2 years

### Executive Committee

	Name	Position
1.	Mr. Sompol Tanadumrongsak	Chairman of the Executive Committee and Managing Director
2.	Mrs. Nussara Tanadumrongsak	Vice Chairman and Deputy Managing Director
3.	Mr. Virithpol Muennara	Director
4.	Mr. Sungvien Meethong	Director
5.	Mr. Kninpichy Sukserm	Director
6.	Mrs. Sarayuht Ouybuan	Director
7.	Mr. Thongchai Wiwong	Director
8.	Ms. Jaruwan Chatwichian	Director & Company Secretary

### Management

	Name	Position
1.	Mr. Sompol Tanadumrongsak	Managing Director
2.	Mrs. Nussara Tanadumrongsak	Deputy Managing Director
3.	Mr. Virithpol Muennara	Human Resource Development Manager
4.	Mr. Sungvien Meethong	Production Manager
5.	Mr. Kninpichy Sukserm	Marketing Manager
6.	Mrs. Sarayuht Ouybuan	Quality Development Manager
7.	Mr. Thongchai Wiwong	Engineering manager
8.	Ms. Jaruwan Chatwichian	Finance & Accounting Manager

## Shareholding of Directors.

Name			Number of share		+/-
			2011	2012	
1.	Mr. Por	Tanadumrongsak	100,572,000	100,572,000	no changed
2.	Mr. Sangcharean	Tanadumrongsak	21,692,000	21,692,000	no changed
3.	Mr. Sompol	Tanadumrongsak	21,692,000	21,692,000	no changed
4.	Mr. Somkit	Tanadumrongsak	10,846,000	10,846,000	no changed
5.	Mr. Yanyongchai	Tanadumrongsak	10,846,000	10,846,000	no changed
6.	Mrs. Raweewan	Mathong	-	-	no changed
7.	Mr. Naris	Chaiyasoot (Ph,D)	-	-	no changed
8.	Mr. Anant	Gatepithaya	-	-	no changed
9.	Mr. Pumipat	Sinacharoen	-	-	no changed

Interests of the directors, either directly or indirectly in any contract during the year 2012.

-None-

## Directors Compensation

The company has clearly specified compensation for 9 directors in remuneration and allowances total of 1,810,000 Baht in 2012, increase from 1,260,000 Baht in 2011 as details belows:

Name			Remuneration		Allowances		Meeting (Times)
			2011	2012	2011	2012	
1.	Mr. Por	Tanadumrongsak	100,000	160,000	40,000	35,000	13/13
2.	Mr. Sangcharean	Tanadumrongsak	100,000	160,000	40,000	35,000	13/13
3.	Mr. Sompol	Tanadumrongsak	100,000	160,000	40,000	35,000	13/13
4.	Mr. Somkit	Tanadumrongsak	100,000	160,000	40,000	35,000	13/13
5.	Mr. Yanyongchai	Tanadumrongsak	100,000	160,000	40,000	35,000	13/13
6.	Mrs. Raweewan	Mathong	100,000	160,000	40,000	30,000	12/13
7.	Mr. Naris	Chaiyasoot (Ph,D)	100,000	160,000	40,000	55,000	17/17
8.	Mr. Anant	Gatepithaya	100,000	160,000	40,000	55,000	17/17
9.	Mr. Pumipat	Sinacharoen	100,000	160,000	40,000	55,000	17/17

Remark : According to the 2555 Annual General Meeting of Shareholders held on April 24, 2012 passed a resolution that the Remuneration the year 2012 are as follows.

- Remuneration of 160,000 Baht / person / year.
- The amount of allowance 5,000 Baht / person / times.
- Audit fee 5,000 Baht / person / times.
- If there is more than one meeting in one month. The remuneration of Directors and/or Audit Committee paid 5,000 Baht / person.
- A total of 13 Board meetings in 7 months.
- Audit Committee meetings are held 4 times in 4 months.
- No benefits in any form to boards.



## Management Compensation

Company's executive management compensation are clearly defined and appropriate. Remuneration is at the appropriate level sufficient to retain qualified executives, considered by the Board of Directors. The details are as follows.

Type of remuneration	2011		2012	
	No.member	amount	No.member	amount
1. Salary	7	8,250,547	8	13,246,316
2. Bonus	7	2,010,212	8	2,736,608
3. Others :				
Provident Fund and Social Security Fund.	7	2,106,354	8	606,768
Total	7 <sup>(1)</sup>	12,367,113	8 <sup>(2)</sup>	16,589,692

Note : <sup>(1)</sup> Miss Malerat Tanadumrongsak leave from the Deputy Managing Director on June 30, 2011 and Mr. Kninpichy Sukserm joined the company at December 13, 2011.

<sup>(2)</sup> Mr. Virithphol Muannara joined the company at March 5, 2012.

## Corporate Governance

The company mention in Good corporate governance which is an essential character of listed companies. It means that the company has efficient, transparent, and able to be audited management systems that create trust and confidence amongst its shareholders, investors, other stakeholders and all relevant parties. Good corporate governance is a means to add a firm's value and to ensure maximum profit to shareholders, investors and all relevant parties. FPI's corporate governance initiatives are based on 5 components:

### I. The Rights of Shareholders

Shareholders are the owners of the company. They control the company by appointing the board of directors to act as their representatives. Shareholders are eligible to make decisions on any of significant corporate changes.

Apart from aforementioned basic rights, the Company also encourage and facilitate the shareholders to exercise their right by:

1. In accordance to rules and regulation of SEC and SET, meeting agenda and additional information on business performance must be informed to shareholders 7 days prior to meeting date.
2. In case shareholders are not able to attend the meeting, they may appoint proxies to vote for their shares by signing in the letter of authorization attached to meeting invitation.
3. During the meeting, shareholders can comment, suggest and make inquiries to the Board and Committee to ensure that the shareholders have been given substantial information prior to making an approval on any issue. And the shareholders are welcome to ask for information and details
4. The company has to make an completely minutes of meeting with accuracy and shall be filled properly for further review or investigation by shareholders.

### II. The Equitable Treatment of Shareholders

All shareholders, including those with management positions, non-executive shareholders and foreign shareholders should be treated in an equal way. Minority shareholders whose rights have been violated should be redressed. The company plans to increase alternatives to shareholders who cannot attend the meeting. By appoint an independent director or other person to attend and vote on behalf of shareholders. Include the opportunity for shareholders to nominate directors to advance in a reasonable time.

The meeting will be conducted in accordance with the regulations of the company. The agenda of the meeting will be fully detailed in the agenda and show consideration explicitly. It will not add to the agenda without notice to shareholders. Particular, the important agenda which has to use much more information before making a decision.

Board of Director has imposed measurements to prevent insider trading from relevant parties including Board and Committee, executives, officers and staff members of the company (covering the spouse and minor of the aforesaid persons). The punishment for disclosure of company's confidential information or misuse of such information for personal interest has been imposed in accordance with the policy to prevent inside trading. It is made clear to Board of Director and executives that they must periodically report their holdings to SEC abided by Article 39 of Securities and Exchange Act, 1992. The announcement and regulation from SEC and SET will be disseminated to Board and Committee and executives regularly.

### III. The Role of Stakeholders

The company is aware of the rights of all stakeholders, neither internal stakeholders namely shareholders, executives and employees working for the company, nor external stakeholders which are business competitors, business partners and customers. The company realizes that cooperation, openness to comments and good relationship with all stakeholders are essential to operate business as well as to develop and further expand business. All stakeholders will be treated equally and fairly. Guidelines for dealing with all groups of stakeholders are as follows:

- **Employees :** The company recognizes that all employees are one of the most valuable resources to develop the organization to grow further. Thus the company always supports all staffs to enhance their potential and work as a team as well as to create pleasant and safe working environment for employees. All employees are treated equally and fairly accompanied by appropriate remuneration.
- **Supplier :** The Company has complied with all the partners and creditors Supplier Financial exploitation is fairly equal. Accordance with the terms of trade and terms of the contract made with strictly. To develop the business relationships that benefits both parties.
- **Customer:** The company is responsible for the care and product quality standards and meet customer needs completely. Confidentiality of clients is also important to determine the appropriate selling price for our customers equally with fair trade and honesty.
- **Competitors :** We are committed to fair competition under the business law avoid corruption and avoid destroy competitors.
- **Society :** we are concerned of the environment of the community in vicinity of the company. The company focus in awareness, social responsibility to the community and the company continuously. Including activities that cause the majority and not action illegal material.

### IV. Disclosure and Transparency

The company is obliged to make full disclosure of accurate and transparent information concerning business performance such as financial statement and other related documents in accordance with the regulations from SEC and SET. Other information that would affect company's stock values or may impact the decision of investor and stakeholders should also be disclosed. Full information is disclosed to public through a variety of media under the operation of SEC and SET or in company's website at <http://www.fpiautoparts.co.th>.

Investor relations section of the Company has not established a specific event such as a few activities in the past. The company was assigned to the Managing Director in IR functions to contacts and serve information to shareholders, analysts and agencies involved. The information must be accurate and complete, real and thorough.

### V. Responsibilities of the Board of Directors)

#### 1. Structure of Board of Director

Board of Director consists of qualified members who gain expertise, skills and wide range of experiences on business and management. Board of Director is responsible to set overall business direction and strategic goal, supervise business performance quarterly, and monitor internal control and internal audit system to ensure the utmost benefits to the company and shareholders. As of December 31, 2012, there are 9 members of Board of Director consisting of 3 non-executive directors abided by the guideline that there should be at least 1 out of 3 independent directors from total members in Board of Director. This is to ensure balance of power to resolve on business and

management issue as well as to monitor the performance of the executives. Board of Director appointed 2 subcommittees which are Audit Committee and Executive Board to direct business strategy and monitor business performance. The roles and responsibilities of Board of Director, Audit Committee and Executive Board have been clearly defined and each entity is independent to make decision and express their initiatives and vision.

In addition, the person holding the position of Chairman of Board of Director cannot hold the position of Managing Director in order to prevent unlimited power of each individual. Board of Director is authorized to screen and elect the candidate to fill in these positions. Secretary to Board of Director is responsible to inform and advice Board of Director on the rules and regulation to be abided, facilitate the work of Board of Director as well as follow up the progress on the issue assigned by Board of Director.

## **2. Role and responsibilities of the Board of Directors**

Directors have to implement Code of Best Practices of the Stock Exchange of Thailand by to understand and know their roles and responsibilities. Directors must act in accordance with the laws and regulations of the company and the resolution of the shareholders' meeting with honesty. The Board of Directors as policy maker, set the business goals, business plans and budgets of the company. And manage the implementation of policies, plans and budgets to meet specified efficiency and effectiveness for the benefit of the Company and its Shareholders.

### Conflict of Interest

The Audit Committee will submit the details on related transactions that may cause conflicts of interest to the Board of Directors to find out appropriate solution discreetly. Our business practice are strictly complied with the rules and regulations mandated by SET to treat the parties that may cause conflicts of interest comply with the disclosure requirements for related-party transactions and the acquisition or disposition of assets of the company. Including compliance with accounting standards and regulations set by the Institute of Certified Accountants.

### Internal Control and Internal Audit

Internal control is an essential tool to monitor business practices both in management level and operation level. To enhance efficiency on business operation, the scope of responsibilities and operating authority of management and operation staffs are clearly defined in written statement. The utilization of company's asset will be monitor to ensure the use for utmost benefits of the company. Divide responsibilities in the approval to record information and storage assets apart. To achieve a balance between operating and internal audit properly. There are also controls on the financial by providing a system of financial reporting to Managing Director in charge, even if the company does not have internal audit of the company, but the company has hired an internal auditor independence, external validation of internal control systems of the company. They report directly to the audit committee.

### Boards of Director Meeting

Meeting of the Boards of Director are held regularly at least by every quarter. Addition meetings may be called depending in advance. For every meeting, Secretary to the Board of Director is assigned to prepare meeting agenda and send a notice letter to the Board of Director at least 7 days prior to the meeting to provide adequate time to review the documents. The secretary also assigned to prepare Minute of meeting endorsed by Board of Director and file properly and can be retrieved for further reference required by Board of Director and other related parties.



Remuneration of Board and Committee

The company control the remuneration of directors and committee as appropriate and sufficient for the directors and committee to maintain quality without paying excessive compensation. And at a level that is comparable companies in the same industry. Factors to be considered include experience, duties and responsibilities. The remuneration of directors must be approved by the shareholders. The remuneration of the executive committee is based on the principles policies set by the Board, which will be based on the duties and responsibilities, performance of each executive and the results of company's operations.

Directors and Executives Committee Development

Board of Directors has policy to promote and facilitate the training and educating to people who involved in the governance of the company, including Board of Director, Board of Auditor, Executive Committee and the Company secretary. To improve performance continuously follows the courses of Thai Institute of Directors Association: IOD.

## Interrelated Transactions

During 2011 and 2012, the Company had transactions with related parties who may have conflict of interest as follows;

### 1. Sales on Products and Services

During 2011 and 2012, the Company sold products and provided service to Sangthong Auto Parts World Company Limited (STP) in the amount of 39.88 million Baht and 69.26 million Baht respectively. The outstanding trade receivable was 1.31 million Baht as at December 31, 2011 and 22.54 million Baht as at December 31, 2012.

Relationship :

Mr. Sangchai Tanadumrongsak is an authorised director of STP who is a son of Mr. Por Tanadumrongsak and Mrs. Raweevan Mathong, an older brother of Mr. Sangcharean, Mr. Yanyongchai, Mr. Somkit and Mr. Sompol Tanadumrongsak and a father of Ms. Achara Tanadumrongsak who holds 15% and 12.25% of the Company's shares and STP's shares respectively. The shareholders list of STP is described as follows;

Shareholders		Number of Shares	%
1. Mrs. Kedsara	Tanadumrongsak	306,000	25.50
2. Mr. Sangchai	Tanadumrongsak	306,000	25.50
3. Miss Anothai	Tanadumrongsak	147,000	12.25
4. Mr. Anant	Tanadumrongsak	147,000	12.25
5. Miss. Achara	Tanadumrongsak	147,000	12.25
6. Mr. Ithi	Tanadumrongsak	147,000	12.25
Total		1,200,000	100.00

Necessary and Rationale of Transaction:

STP is one of major automotive parts dealers in Thailand which has been established for over 30 years generating a wide range of customer base especially insurance companies, and garages. Thus, the Company has appointed STP to be its domestic dealer. The price sold to STP is the same price sold to other customers under normal course of business which based on the market price of each product. The price shall be similar to the competitors' price or in range of the average selling price to the large importers in Asia and Middle-East. However, the price might be different from the competitors or the average selling price of the large importers in Asia and Middle-East depending on the volume of purchasing order, product quality and competition in each country.

The audit committee considered and had an opinion that the transactions were incurred under the normal course of business and appropriate.

### 2. Purchase of Products and Services

#### 2.1 Sangthong Auto Parts World Company Limited (STP)

During 2011 and 2012, the Company purchased products and services from Sangthong Auto Parts World Company Limited (STP) for 36.70 million Baht and 57.78 million Baht respectively. The outstanding trade payable was 9.37 million Baht as at December 31, 2011 and 9.23 million Baht as at December 31, 2012.

#### Necessary and Rationale of Transaction:

STP is one of major automotive parts dealers in Thailand which is also an OEM automotive parts dealer for several car brands. The Company thus purchases automotive parts from STP in order to obtain every product that the customers demand. In case of purchasing OEM products, the selling price will be market price based on price list. Each dealer will provide discounts which will be approximately +/- 5%. In case of purchasing REM products, the Company will compare the price with other sellers, by considering the selling price and ability to deliver products on time.

The audit committee considered and had an opinion that the transactions were incurred under the normal course of business and appropriate.

#### 2.2 S.C.G. Industry Company Limited (SCG)

During 2011 and 2012, the Company purchased products and services from S.C.G. Industry Company Limited (SCG) for 3.07 million Baht and 1.67 million Baht respectively. The outstanding trade payable was 0.23 million Baht as at December 31, 2011 and 0.18 million Baht as at December 31, 2012.

#### Relationship:

Mr. Yanyongchai and Mr. Somkit Tanadumrongsak are directors of SCG and the Company. The shareholders list is described as follows;

Shareholders		FPI		SCG	
		Number of Shares	%	Number of Shares	%
1. Mr. Por	Tanadumrongsak	10,846,000	4.68	8,250	5.50
2. Mrs. Raweewan	Mathong	10,846,000	4.68	8,250	5.50
3. Mr. Yanyongchai	Tanadumrongsak	21,692,000	9.35	16,500	11.00
4. Mr. Somkit	Tanadumrongsak	21,692,000	9.35	76,500	51.00
5. Mr. Sompol	Tanadumrongsak	100,572,000	43.35	16,500	11.00
6. Ms. Maleerat	Tanadumrongsak	9,860,000	4.25	7,500	5.00

#### Necessary and Rationale of Transaction:

SCG is a starter and dynamo manufacturer and distributor. The Company will purchase products from SCG in 2 cases which are;

- The customers directly order from SCG but due to the volume of purchasing order that unable to fulfil the container space, the customers thus assign the Company to purchase and deliver the products including prepare export documents for them. The Company purchases SCG's products at the same price as SCG sells to the customers but using the exchange rate which deducted by 1.50-2.00 Baht, the difference is considered as the expenses on products export administration which is the same rate as the customers purchase from other distributors and assign the Company to manage the export administration.

- The customers assign the Company to procure the products, due to the limited number of major starter and dynamo manufacturers in REM market, which are mostly located in upcountry except for SCG that is located on Pathumthani. To facilitate the product delivery, the Company purchases starter and dynamo from SCG at the price close to the price SCG sells to other customers.

- The audit committee considered and had an opinion that the transactions were incurred under the normal course of business and was appropriate.

#### 2.3 Imperial Cable Industry Company Limited (ICI)

During 2011 and 2012, the Company purchased products and services from Imperial Cable Industry Company Limited (ICI) for 1.03 million Baht and 0.78 million Baht respectively. The outstanding trade payable was 0.08 million Baht as at December 31, 2011 and 0.03 million Baht as at December 31, 2012.

##### Relationship :

Miss Maleerat Tanadumrongsak is a shareholder of the Company who holds 4.25% of the Company's paid-up shares and the management of ICI. Her minor child is also a shareholder of ICI holding 16.66% of total ICI's paid-up shares.

##### Necessary and Rationale of Transaction:

ICI is the manufacturer and distributor of automotive cable such as accelerator cable, brake cable, and clutch cable. The Company purchases products from ICI in 2 cases which are;

- The customers directly order from ICI but due to the volume of purchasing order that unable to fulfil the container space, the customers thus assign the Company to purchase and deliver the products including prepare export documents for them. The Company purchases ICI's products at the same price as ICI sells to the customers but using the exchange rate which deducted by 1.50-2.00 Baht, the difference is considered as the expenses on products export administration which is the same rate as the customers purchase from other distributors and assign the Company to manage the export administration.

- The customers assign the Company to procure the products. Due to the limited number of major car cable manufacturers in REM market and a small volume of purchasing order, the Company conveniently purchases automotive cables from ICI at the price close to the price ICI sells to other customers.

- The audit committee considered and had an opinion that the transactions were incurred under the normal course of business and was appropriate.

#### 2.4 Fortune Box Industry Company Limited (FBI)

During 2011 and 2012, the Company purchased products and services from Fortune Box Industry Company Limited (FBI) for 15.27 million Baht and 15.81 million Baht respectively. The outstanding trade payable was 3.41 million Baht as at December 31, 2011 and 4.23 million Baht as at December 31, 2012.

##### Relationship:

The close relatives of Mrs. Nussara Tanadumrongsak who is the Vice Chairman of Executive Committee of the Company, hold FBI's shares of 2,100,000 shares which is equivalent to 70% of FBI's paid-up shares.

##### Necessary and Rationale of Transaction:

FBI is the paper box manufacturer and distributor, which has ability to produce a variety of box sizes as the Company demand and has a broad range of paper factories as its alliances. As a result, the Company assigns FBI to produce boxes for its packaging. The purchase price was close to the price proposed by other suppliers.

The audit committee considered and had an opinion that the transactions were incurred under the normal course of business and were appropriate.



## 2.5 Super Central Gas Company Limited (SUPER)

In 2012, the Company purchased products and services from Super Central Gas Company Limited (SUPER) for 0.28 million Baht. The outstanding trade payable was -0- million Baht as at December 31, 2012.

Relationship:

Mrs. Raweewan Mathong, Mr. Sangcharean, Mr. Yanyongchai, Mr. Somkit and Mr. Sompol Tanadumrongsak are directors of the Company and SUPER. The shareholder list is described as follows;

Shareholders		FPI		KMART	
		Number of Shares	%	Number of Shares	%
1. Mr. Por	Tanadumrongsak	10,846,000	4.68	55,000	5.50
2. Mrs. Raweewan	Mathong	10,846,000	4.68	55,000	5.50
3. Mr. Yanyongchai	Tanadumrongsak	21,692,000	9.35	110,000	11.00
4. Mr. Somkit	Tanadumrongsak	21,692,000	9.35	110,000	11.00
5. Mr. Sompol	Tanadumrongsak	100,572,000	43.35	110,000	11.00
6. Ms. Maleerat	Tanadumrongsak	9,860,000	4.25	50,000	5.00

Necessary and Rationale of Transaction:

SUPER engages in LPG and NGV gas installation for vehicles and industrial factories as well as provides services related to gas system. The Company hired SUPER for gas system maintenance.

The audit committee considered and had an opinion that the transactions benefited to the Company and the price was closed to price SUPER charges to other customers and was appropriate.

## 3. Selling and Administrative Expenses Transactions

During 2011 and 2012, the Company paid its expenses to KMART Company Limited (KMART) for 0.63 million Baht and 0.95 million Baht respectively.

Relationship:

Mr. Somkit Tanadumrongsak is director of the Company and KMART. The shareholders list is described as follows;

Shareholders		FPI		KMART	
		Number of Shares	%	Number of Shares	%
1. Mr. Por	Tanadumrongsak	10,846,000	4.68	7,000	7.00
2. Mrs. Raweewan	Mathong	10,846,000	4.68	7,000	7.00
3. Mr. Yanyongchai	Tanadumrongsak	21,692,000	9.35	19,000	19.00
4. Mr. Somkit	Tanadumrongsak	21,692,000	9.35	24,000	24.00
5. Mr. Sompol	Tanadumrongsak	100,572,000	43.35	19,000	19.00
6. Ms. Maleerat	Tanadumrongsak	9,860,000	4.25	5,000	5.00

Necessary and Rationale of Transaction:

KMART engages in fuel station which is located on Lumlukka, Klong 4 nearby the Company. Therefore, the Company uses KMART services which the fuel price was the market price.

The audit committee considered and had an opinion that the transactions were appropriate and the pricing is fair.

#### 4. Land Acquisition Transactions

4.1 In 2012, the Company acquired a land, title deed number 138800 with a total area of 2 ngan, 7 square wah at 8,000 Baht per square wah, the total value of 1.66 million Baht from Mrs. Raweewan Mathong for constructing the Company's office.

Relationship:

Mrs. Raweewan Mathong is the director and shareholder of the Company, who hold 3.68% of the Company's total paid-up shares. She is the spouse of Mr. Por Tanadumrongsak, and mother of Mr. Sangcharean, Mr. Yanyongchai, Mr. Somkit, Mr. Sompol and Ms. Maleerat Tanadumrongsak

Necessary and Rationale of Transaction:

The purpose of land acquisition is to construct the Company's office building. The Company appointed 2 asset evaluation companies which are the approved asset valuation companies by the Securities and Exchange Commission Thailand (SEC) to value the price of land.

The audit committee considered that the land acquisition was necessary to construct the Company's office building, and to expand the Company in order to register in the Stock Exchange of Thailand. Thus, the Company has to expand its office building and the price was appropriate since the price was the lowest price evaluated by the independent evaluators.

4.2 In 2012, the Company acquired a land, title deed number 115820 with a total area of 1 Rai, 92 square wah at 8,000 Baht per square wah, the total value of 3.94 million Baht from Siam City Group Development Company Limited (SCGD) for constructing the Company's office.

Relationship:

Mr. Por Tanadumrongsak, Mrs. Raweewan Mathong, Mr. Sangcharean, Mr. Yanyongchai, Mr. Somkit, and Mr. Sompol Tanadumrongsak are directors of the Company and SCGD. The shareholders list is described as follows;

Shareholders		FPI		KMART	
		Number of Shares	%	Number of Shares	%
1. Mr. Por	Tanadumrongsak	10,846,000	4.68	75,038	16.68
2. Mrs. Raweewan	Mathong	10,846,000	4.68	75,037	16.67
3. Mr. Yanyongchai	Tanadumrongsak	21,692,000	9.35	109,485	24.33
4. Mr. Somkit	Tanadumrongsak	21,692,000	9.35	32,985	7.33
5. Mr. Sompol	Tanadumrongsak	100,572,000	43.35	32,985	7.33
6. Ms. Maleerat	Tanadumrongsak	9,860,000	4.25	14,985	3.33

Necessary and Rationale of Transaction:

The purpose of land acquisition is to construct the Company's office building. The Company appointed 2 asset evaluation companies which are the approved asset valuation companies by the Securities and Exchange Commission Thailand (SEC) to value the price of land.

The audit committee considered that the land acquisition was necessary to construct the Company's office building, and to expand the Company in order to register in the Stock Exchange of Thailand. Thus, the Company had to expand its office building and the price was appropriate since the price was the lowest price evaluated by the independent evaluators.

## Independent Auditor's Report

To the Shareholders of Fortune Parts Industry Public Company Limited

I have audited the accompanying financial statements of Fortune Parts Industry Public Company Limited, which comprise the statement of financial position as at 31 December 2012, and the related statement of income, comprehensive income, changes in shareholders' equity and cash flow 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 referred to above present fairly, in all material respects, the financial position of Fortune Parts Industry Public Company Limited as at 31 December 2012, and its financial performance and cash flow for the year then ended, in accordance with Thai Financial Reporting Standards.

Vissuta Jariyathanakorn

Certified Public Accountant (Thailand) No. 3853

Ernst & Young Office Limited

Bangkok: 18 February 2013

## Statement of financial position

Fortune Parts Industry Public Company Limited

As at 31 December 2012

(Unit: Baht)

	<u>Note</u>	<u>2012</u>	<u>2011</u>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	50,407,209	598,089
Trade and other receivables	8	406,469,575	245,057,937
Inventories	9	328,406,611	311,526,776
Other current assets		65,183,029	53,827,004
<b>Total current assets</b>		<b>850,466,424</b>	<b>611,009,806</b>
<b>Non-current assets</b>			
Restricted bank deposits	10	35,111,644	41,403,619
Property, plant and equipment	11	639,963,821	568,487,595
Intangible assets	12	786,439	119,491
Other non-current assets		23,129,925	238,650
<b>Total non-current assets</b>		<b>698,991,829</b>	<b>610,249,355</b>
<b>Total assets</b>		<b>1,549,458,253</b>	<b>1,221,259,161</b>

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



## Statement of financial position (continued)

Fortune Parts Industry Public Company Limited

As at 31 December 2012

(Unit: Baht)

	<u>Note</u>	<u>2012</u>	<u>2011</u>
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
Bank overdrafts and short-term loans from			
financial institutions	13	483,071,164	476,087,866
Trade and other payables	14	251,286,511	228,321,415
Current portion of long-term loans	15	73,190,791	77,966,260
Income tax payable		25,607,759	22,992,859
Provisions	16	2,542,268	9,461,914
Other current liabilities		26,316,586	26,052,761
<b>Total current liabilities</b>		<b>862,015,079</b>	<b>840,883,075</b>
<b>Non-current liabilities</b>			
Long-term loans, net of current portion	15	78,678,126	69,744,909
Provision for long-term employee benefits	17	4,672,174	4,025,094
<b>Total non-current liabilities</b>		<b>83,350,300</b>	<b>73,770,003</b>
<b>Total liabilities</b>		<b>945,365,379</b>	<b>914,653,078</b>

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

## Statement of financial position (continued)

Fortune Parts Industry Public Company Limited

As at 31 December 2012

(Unit: Baht)

	<u>Note</u>	<u>2012</u>	<u>2011</u>
<b>Shareholders' equity</b>			
Share capital			
Registered			
295,000,000 ordinary shares of Baht 1 each	18	295,000,000	295,000,000
Issued and fully paid-up			
295,000,000 ordinary shares of Baht 1 each			
(2011: 232,000,000 ordinary shares			
of Baht 1 each)		295,000,000	232,000,000
Share premium		151,436,250	-
Retained earnings			
Appropriated - statutory reserve	19	19,937,706	9,751,668
Unappropriated		137,718,918	64,854,415
<b>Total shareholders' equity</b>		<b>604,092,874</b>	<b>306,606,083</b>
<b>Total liabilities and shareholders' equity</b>		<b>1,549,458,253</b>	<b>1,221,259,161</b>

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

## Income statement

Fortune Parts Industry Public Company Limited

For the year ended 31 December 2012

(Unit: Baht)

	<u>Note</u>	<u>2012</u>	<u>2011</u>
<b>Revenues</b>			
Sales		1,472,952,551	1,209,274,626
Services income		27,254,757	17,164,454
Export incentive		52,838,710	46,855,791
Gain on exchange		16,772,197	14,731,370
Other income		16,044,671	12,341,150
<b>Total revenues</b>		<b>1,585,862,886</b>	<b>1,300,367,391</b>
<b>Expenses</b>			
Cost of sales		1,160,160,100	1,026,628,223
Cost of services		13,677,270	13,263,768
Selling expenses		102,378,659	70,932,430
Administrative expenses		53,600,328	42,465,081
Allowance for doubtful accounts		6,141,551	5,937,635
Allowance for diminution in value of inventories		2,059,165	8,877,075
<b>Total expenses</b>		<b>1,338,017,073</b>	<b>1,168,104,212</b>
<b>Profit before finance cost and income tax expenses</b>		<b>247,845,813</b>	<b>132,263,179</b>
Finance cost		(42,225,802)	(36,837,598)
<b>Profit before income tax expenses</b>		<b>205,620,011</b>	<b>95,425,581</b>
Income tax expenses		(43,089,566)	(31,994,887)
<b>Profit for the year</b>		<b>162,530,445</b>	<b>63,430,694</b>
<b>Earnings per share</b>	<b>21</b>		
Basic earnings per share			
Profit for the year		0.65	0.32

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

## Statement of comprehensive income

Fortune Parts Industry Public Company Limited

For the year ended 31 December 2012

(Unit: Baht)

	<u>2012</u>	<u>2011</u>
Profit for the year	162,530,445	63,430,694
Other comprehensive income:		
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u>162,530,445</u>	<u>63,430,694</u>

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

## Cash flow statement

Fortune Parts Industry Public Company Limited

For the year ended 31 December 2012

(Unit: Baht)

	<u>2012</u>	<u>2011</u>
<b>Cash flows from operating activities</b>		
Profit before tax	205,620,011	95,425,581
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:		
Depreciation and amortisation	129,366,067	129,896,981
Decrease of inventory to net realisable value	2,059,165	8,877,075
Allowance for doubtful accounts	6,141,551	5,937,635
Gain on sales of equipment	(2,002,230)	(7,282,707)
Increase (decrease) in provision for product warranty	(6,919,646)	3,067,308
Provision for long-term employee benefits	647,080	838,156
Unrealised (gain) loss on exchange	(6,337,985)	3,135,139
Interest expense	38,717,520	33,140,792
Profit from operating activities before changes in operating assets and liabilities	367,291,533	273,035,960
<b>Operating assets decrease (increase)</b>		
Trade and other receivables	(163,960,236)	(10,788,003)
Inventories	(18,939,000)	(67,604,864)
Other current assets	(11,557,906)	(12,984,045)
Other non-current assets	(22,891,275)	238,582
<b>Operating liabilities increase (decrease)</b>		
Trade and other payables	20,167,934	(22,954,125)
Other current liabilities	476,143	7,048,210
Cash flows from operating activities	170,587,193	165,991,715
Cash paid for corporate income tax	(40,474,666)	(19,142,444)
<b>Net cash flows from operating activities</b>	<b>130,112,527</b>	<b>146,849,271</b>

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



## Cash flow statement (continued)

Fortune Parts Industry Public Company Limited

For the year ended 31 December 2012

(Unit: Baht)

	<u>2012</u>	<u>2011</u>
<b>Cash flows from investing activities</b>		
Decrease (increase) in restricted bank deposits	6,291,975	(410,569)
Proceeds from sale of equipment	3,302,638	9,441,214
Acquisition of property, plant and equipment	(198,701,299)	(118,905,428)
Acquisition of intangible assets	(819,350)	-
<b>Net cash flows used in investing activities</b>	<b>(189,926,036)</b>	<b>(109,874,783)</b>
<b>Cash flows from financing activities</b>		
Increase in bank overdrafts and		
short-term loans from financial institutions	7,007,513	93,578,162
Cash receipt from long-term loans	106,536,086	76,026,489
Repayment of long-term loans	(99,687,573)	(87,862,775)
Repayment of loans from related persons	-	(68,200,000)
Cash paid for interest expense	(39,189,743)	(32,252,327)
Proceeds from increase in share capital	214,436,250	32,000,000
Dividend paid	(79,479,904)	(52,000,000)
<b>Net cash flows from (used in) financing activities</b>	<b>109,622,629</b>	<b>(38,710,451)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>49,809,120</b>	<b>(1,735,963)</b>
Cash and cash equivalents at beginning of year	598,089	2,334,052
<b>Cash and cash equivalents at end of year</b>	<b>50,407,209</b>	<b>598,089</b>
<b>Supplemental cash flow information:</b>		
Non-cash items		
Undue installments for asset purchases	10,339,724	17,017,292
Outstanding receivable from sale of assets	-	8,142,515

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

## Statement of changes in shareholders' equity

Fortune Parts Industry Public Company Limited

For the year ended 31 December 2012

(Unit: Baht)

	Issued and paid-up		Retained earnings		Total shareholders' equity
	share capital	Share premium	Appropriated	Unappropriated	
<b>Balance as at 1 January 2011</b>	200,000,000	-	4,904,482	58,270,907	263,175,389
Increase share capital (Note 18)	32,000,000	-	-	-	32,000,000
Dividend paid (Note 24)	-	-	-	(52,000,000)	(52,000,000)
Total comprehensive income for the year	-	-	-	63,430,694	63,430,694
Unappropriated retained earnings transferred to statutory reserve	-	-	4,847,186	(4,847,186)	-
<b>Balance as at 31 December 2011</b>	<b>232,000,000</b>	<b>-</b>	<b>9,751,668</b>	<b>64,854,415</b>	<b>306,606,083</b>
<b>Balance as at 1 January 2012</b>	232,000,000	-	9,751,668	64,854,415	306,606,083
Increase share capital (Note 18)	63,000,000	151,436,250	-	-	214,436,250
Dividend paid (Note 24)	-	-	-	(79,479,904)	(79,479,904)
Total comprehensive income for the year	-	-	-	162,530,445	162,530,445
Unappropriated retained earnings transferred to statutory reserve	-	-	10,186,038	(10,186,038)	-
<b>Balance as at 31 December 2012</b>	<b>295,000,000</b>	<b>151,436,250</b>	<b>19,937,706</b>	<b>137,718,918</b>	<b>604,092,874</b>

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

## Notes to financial statements

Fortune Parts Industry Public Company Limited

For the year ended 31 December 2012

### 1. General information

Fortune Parts Industry Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. The Company is principally engaged in the manufacturing and distribution of the automotive replacement parts. The registered of the Company is at 11/22 Moo 20, Nimitmai Road, Lamlukka, Lamlukka, Pathumthani.

### 2. Basis of preparation

The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Professions Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 28 September 2011, issued under the Accounting Act B.E. 2543.

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

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

### 3. New accounting standards not yet effective

The Federation of Accounting Professions issued the following new/revised accounting standards that are effective for fiscal years beginning on or after 1 January 2013.

Accounting standards:

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

Financial Reporting Standard:

TFRS 8	Operating Segments
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## Accounting Standard Interpretations:

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

The Company's management believes that these accounting standards will not have any significant impact on the financial statements for the year when they are initially applied, except for the following accounting standard.

**TAS 12 Income Taxes**

This accounting standard requires an entity to identify temporary differences, which are differences between the carrying amount of an asset or liability in the accounting records and its tax base, and to recognize deferred tax assets and liabilities under the stipulated guidelines. The effect of the adoption to the financial statements of the Company will be to increase brought-forward retained earnings of the year 2013 by Baht 8 million.

In addition, the Federation of Accounting Professions has issued Notification No. 30/2555 - 34/2555, published in the Royal Gazette on 17 January 2013, mandating the use of accounting treatment guidance and accounting standard interpretations as follows.

		<u>Effective date</u>
Accounting Treatment Guidance for Transfers of Financial Assets		1 January 2013
Accounting Standard Interpretation:		
SIC 29	Service Concession Arrangements: Disclosures	1 January 2014
Financial Reporting Standard Interpretations:		
TFRIC 4	Determining whether an Arrangement contains a Lease	1 January 2014
TFRIC 12	Service Concession Arrangements	1 January 2014
TFRIC 13	Customer Loyalty Programmes	1 January 2014

The management of the Company assessed and concluded that the aforementioned accounting treatment guidance and accounting standard interpretations are not relevant to the Company's business.

#### **4. Significant accounting policies**

##### **4.1 Revenue recognition**

###### *Sales of goods*

Sales of goods are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales of goods are the value after deducting discounts.

###### *Rendering of services*

Service revenue is recognised when services have been rendered.

###### *Interest income*

Interest income is recognised on an accrual basis based on the effective interest rate.

###### *Export incentive*

Export incentives, which are received in the form of tax coupons, are recognised as income when the Company exports the goods.

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

Cash and cash equivalents consist of cash in hand and at banks, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

##### **4.3 Trade accounts receivable**

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

##### **4.4 Inventories**

Finished goods and work in process are valued at the lower of average cost and net realisable value. Average cost includes all production costs and attributable factory overhead.

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



#### 4.5 Property, plant and equipment and depreciation

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

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

Land improvement, factory buildings and office buildings	20 years
Machinery and equipment	5 years, 10 years and 20 years
Moulds and printing blocks	5 years, 6 years and 10 years
Fixtures and office equipment	5 years
Motor vehicles	5 years

Depreciation is included in determining income.

No depreciation is provided on land and construction in progress.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset is included in profit or loss when the asset is derecognised.

#### 4.6 Intangible assets and amortisation

Intangible assets are initially recognised at cost. Following the initial recognition, the intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses (if any).

Intangible assets with finite lives are amortised on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year end. The amortisation expense is charged to profit or loss.

A summary of the intangible assets with finite useful lives is as follows:

	<u>Useful lives</u>
Computer software	5 years

#### 4.7 Related party transactions

Related parties comprise enterprises and individuals that control, or are controlled by, the Company, whether directly or indirectly, or which are under common control with the Company.

They also include associated companies and individuals which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management

personnel, directors, and officers with authority in the planning and direction of the Company's operations.

#### **4.8 Foreign currencies**

Transactions in foreign currencies are translated into Baht at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rate ruling at the end of reporting period, with the exception of those covered by forward exchange contracts, which are translated at the contracted rates.

Gains and losses on exchange are included in determining income.

#### **4.9 Impairment of assets**

At the end of each reporting period, the Company performs impairment reviews in respect of the property, plant and equipment and other assets whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount. In determining 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. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that the Company could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. An impairment loss is recognised in profit or loss.

#### **4.10 Employee benefits**

##### ***Short-term employee benefits***

Salaries, wages, bonuses and contributions to the social security fund are recognised as expenses when incurred.

***Post-employment benefits******Defined contribution plans***

The Company and its employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Company. The fund's assets are held in a separate trust fund and the Company's contributions are recognised as expenses when incurred.

***Defined benefit plans***

The Company has obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Company treats these severance payment obligations as a defined benefit plan.

The obligation under the defined benefit plan is determined by a professionally qualified independent actuary based on actuarial techniques, using the projected unit credit method.

Actuarial gains and losses arising from post-employment benefits are recognised immediately in profit or loss.

For the first-time adoption of TAS 19 Employee Benefits in 2011, the Company elected to recognise the transitional liability, which exceeds the liability that would have been recognised at the same date under the previous accounting policy, through an adjustment to the beginning balance of retained earnings in 2011.

**4.11 Provisions**

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

**4.12 Income tax**

Income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

## 5. Significant accounting judgments and estimates

The preparation of financial statements in conformity with financial reporting standards at times requires management to make subjective judgements and estimates regarding matters that are inherently uncertain. These judgements and estimates affect reported amounts and disclosures; and actual results could differ from these estimates. Significant judgments and estimates are as follows:

### Allowance for doubtful accounts

In determining an allowance for doubtful accounts, the management needs to make judgement and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

### Property plant and equipment/Depreciation

In determining depreciation of plant and equipment, the management is required to make estimates of the useful lives and residual values of the plant and equipment and to review estimate useful lives and residual values when there are any changes.

In addition, the management is required to review property, plant and equipment for impairment on a periodical basis and record impairment losses in the period when it is determined that their recoverable amount is lower than the carrying amount. This requires judgements regarding forecast of future revenues and expenses relating to the assets subject to the review.

### Post-employment benefits under defined benefit plans

The obligation under the defined benefit plan is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate and staff turnover rate.

### Provision for product warranty

In determining warranty reserve, the management needs to exercise judgment to estimate anticipated losses, with reference to past experience.

## 6. Related party transactions

The relationships between the Company and its related persons and related parties are summarised below: -

Name of related persons and related parties	Relationship with the Company
Sangthong Auto Partsworld Co., Ltd.	Common shareholding
Fortune Box Industry Co., Ltd.	Company owned by related person of the Company's management

Name of related persons and related parties	Relationship with the Company
S.C.G. Industry Co., Ltd.	Common directors and shareholding
Imperial Cable Industry Co., Ltd.	A shareholder of the Company is a director of that company
Super Central Gas Co., Ltd.	Common directors and shareholding
K-Mart Service Co., Ltd.	Common directors and shareholding
Siam City Group Development Co., Ltd.	Common directors and shareholding
Mr. Sompol Tanadumrongsak	Shareholder and authorised director of the Company
Mrs. Raweewan Mathong	Shareholder and director of the Company
Mr. Sangcharean Tanadumrongsak	Director of the Company
Mrs. Lawan Tanadumrongsak	Spouse of director of the Company

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

(Unit: Thousand Baht)

	2012	2011	Transfer pricing policy
<u>Transactions with related parties</u>			
<u>Sales</u>			
Sangthong Auto Partsworld Co., Ltd.			In the range of the average selling price in Asia or within 15% of competitor's selling price
	69,255	39,871	
<u>Purchases of goods</u>			
Sangthong Auto Partsworld Co., Ltd.	57,776	36,698	OEM: Within (plus or minus) 5% of the prices of other suppliers; Other products: from 20% below to plus 5% above the price of other suppliers
Fortune Box Industry Co., Ltd.	15,810	15,268	Prices close to those of other suppliers
S.C.G. Industry Co., Ltd.	1,674	3,070	Purchased at prices 2% - 10% lower than those for other customers or at selling price minus operating cost of 5% - 8%
Imperial Cable Industry Co., Ltd.	779	1,033	Purchased at prices 2% - 10% lower than those for other customers or at selling price minus operating cost of 5% - 8%
Super Central Gas Co., Ltd.	284	-	Market price
Total	76,323	56,069	



(Unit: Thousand Baht)

	2012	2011	Transfer pricing policy
Other expenses			
K-Mart Service Co., Ltd.	950	629	Market price
Purchase of land			
Siam City Group Development Co., Ltd.	3,936	-	Market price
<u>Transactions with management and directors</u>			
Interest expenses			Minimum Overdraft Rate of Bank of Ayudhya Public Company Limited
Mr. Sangcharean Tanadumrongsak	-	1,521	
Mrs. Lawan Tanadumrongsak	-	1,521	
Total	-	3,042	
Purchase of land			
Mrs. Raweewan Mathong	1,656	-	Market price

The balances of the accounts as at 31 December 2012 and 2011 between the Company and its related persons and related parties are as follows:

(Unit: Baht)

	2012	2011
<u>Trade accounts receivable - related parties (Note 8)</u>		
Sangthong Auto Partsworld Co., Ltd.	22,538,912	1,309,236
Total	22,538,912	1,309,236
<u>Trade accounts payable - related parties (Note 14)</u>		
Sangthong Auto Partsworld Co., Ltd.	9,234,470	9,372,199
Fortune Box Industry Co., Ltd.	4,225,321	3,407,336
S.C.G. Industry Co., Ltd.	175,437	227,058
Imperial Cable Industry Co., Ltd.	27,499	80,218
K-Mart Service Co., Ltd.	157,573	55,732
Total	13,820,300	13,142,543
<u>Accounts payable - related persons (Note 14)</u>		
Mr. Sompol Tanadumrongsak	-	11,090,942
Mr. Sangcharean Tanadumrongsak	-	9,500
Others	-	66,500
Total	-	11,166,942
<u>Accrued directors' remuneration</u>	-	600,000

Directors and management's benefits

During the years ended 31 December 2012 and 2011, the Company had employee benefit expenses payable to their directors and management as below.

(Unit: Thousand Baht)

	<u>2012</u>	<u>2011</u>
Short-term employee benefits	17,879	13,345
Post-employment benefits	521	282
Total	<u>18,400</u>	<u>13,627</u>

**7. Cash and cash equivalents**

(Unit: Baht)

	<u>2012</u>	<u>2011</u>
Cash	150,000	150,000
Bank deposits	50,257,209	448,089
Total	<u>50,407,209</u>	<u>598,089</u>

As at 31 December 2012, bank deposits in saving accounts carried interests at 0.75 percent per annum (2011: 0.87 percent per annum).

**8. Trade and other receivables**

(Unit: Baht)

	<u>2012</u>	<u>2011</u>
<b><u>Trade receivable - related parties</u></b>		
Aged on the basis of due dates		
Not yet due	15,567,830	1,309,236
Past due		
Up to 3 months	6,971,082	-
Trade receivable - related parties	<u>22,538,912</u>	<u>1,309,236</u>
<b><u>Trade receivable - unrelated parties</u></b>		
Aged on the basis of due dates		
Not yet due	253,009,198	145,580,450
Past due		
Up to 3 months	91,849,782	57,128,017
3 - 12 months	26,389,839	23,024,453
Over 12 months	24,482,973	21,724,364
Total	<u>395,731,792</u>	<u>247,457,284</u>
Less: Allowance for doubtful debts	<u>(25,873,874)</u>	<u>(24,397,772)</u>
Total trade receivables - unrelated parties, net	<u>369,857,918</u>	<u>223,059,512</u>
Total trade receivables - net	<u>392,396,830</u>	<u>224,368,748</u>

(Unit: Baht)

	2012	2011
<u>Other receivables</u>		
Other receivables from selling equipment	5,780,022	8,186,756
Revenue department receivable	13,927,825	13,164,508
Others	144,920	452,499
Total	19,852,767	21,803,763
Less: Allowance for doubtful debts	(5,780,022)	(1,114,574)
Total other receivables, net	14,072,745	20,680,189
Total trade and other receivables - net	406,469,575	245,057,937

## 9. Inventories

(Unit: Baht)

	Cost		Reduce cost to net realisable value		Inventories - net	
	2012	2011	2012	2011	2012	2011
Finished goods (included trading goods)	280,706,359	267,825,788	(42,743,641)	(42,124,142)	237,962,718	225,701,646
Work in process	24,255,073	20,993,472	(5,015,884)	(4,359,421)	19,239,189	16,634,051
Raw materials	66,860,771	67,906,715	(14,541,669)	(13,607,377)	52,319,102	54,299,338
Packaging materials and supplies	19,882,189	16,039,417	(996,587)	(1,147,676)	18,885,602	14,891,741
Total	391,704,392	372,765,392	(63,297,781)	(61,238,616)	328,406,611	311,526,776

## 10. Restricted bank deposits

These represent fixed deposits pledged with the banks to secure credit facilities.

## 11. Property, plant and equipment

(Unit: Baht)

	Land	Land improvement	Factory and office buildings	Machinery and equipment	Moulds and printing blocks	Fixtures and office equipment	Motor vehicles	Constructio n in progress	Total
<b>Cost:</b>									
1 January 2011	63,875,207	15,864,048	141,428,570	343,112,075	939,192,175	21,552,139	17,046,626	19,984,556	1,562,055,396
Additions	9,869,595	-	-	16,389,418	70,165,715	1,164,759	6,219,748	38,202,315	142,011,550
Disposals/written-off	-	-	-	(525,125)	(16,459,948)	-	(5,722,925)	-	(22,707,998)
Transfer in/(transfer out)	-	-	13,118,823	2,273,425	27,471,475	76,456	-	(42,940,179)	-
31 December 2011	73,744,802	15,864,048	154,547,393	361,249,793	1,020,369,417	22,793,354	17,543,449	15,246,692	1,681,358,948
Additions	15,737,023	-	1,485,982	11,776,548	78,316,528	1,332,131	3,985,691	89,356,397	201,990,300
Disposals/written-off	-	-	-	(1,415,055)	(1,127,405)	(946,063)	(449,000)	-	(3,937,523)
Transfer in/(transfer out)	-	-	4,564,953	3,788,383	18,664,713	2,723,864	-	(29,741,913)	-
31 December 2012	89,481,825	15,864,048	160,598,328	375,399,669	1,116,223,253	25,903,286	21,080,140	74,861,176	1,879,411,725

(Unit: Baht)

	Land	Land improvement	Factory and office buildings	Machinery and equipment	Moulds and printing blocks	Fixtures and office equipment	Motor vehicles	Constructio n in progress	Total
<b>Accumulated depreciation:</b>									
1 January 2011	-	(5,299,183)	(42,440,474)	(218,672,573)	(697,731,153)	(17,674,424)	(13,646,429)	-	(995,464,236)
Depreciation for the year	-	(793,202)	(7,520,094)	(24,195,282)	(94,071,212)	(1,481,191)	(1,753,112)	-	(129,814,093)
Depreciation on disposals	-	-	-	485,426	6,198,630	-	5,722,920	-	12,406,976
31 December 2011	-	(6,092,385)	(49,960,568)	(242,382,429)	(785,603,735)	(19,155,615)	(9,676,621)	-	(1,112,871,353)
Depreciation for the year	-	(793,203)	(7,711,654)	(26,466,299)	(90,144,982)	(1,568,339)	(2,529,188)	-	(129,213,665)
Depreciation on disposals	-	-	-	1,252,406	-	935,710	448,998	-	2,637,114
31 December 2012	-	(6,885,588)	(57,672,222)	(267,596,322)	(875,748,717)	(19,788,244)	(11,756,811)	-	(1,239,447,904)
<b>Net book value:</b>									
31 December 2011	73,744,802	9,771,663	104,586,825	118,867,364	234,765,682	3,637,739	7,866,828	15,246,692	568,487,595
31 December 2012	89,481,825	8,978,460	102,926,106	107,803,347	240,474,536	6,115,042	9,323,329	74,861,176	639,963,821
<b>Depreciation for the year</b>									
2011 (Baht 128 million included in manufacturing cost, and the balance in administrative expenses)									129,814,093
2012 (Baht 126 million included in manufacturing cost, and the balance in administrative expenses)									129,213,665

As at 31 December 2012, certain plant and equipment items have been fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation of those assets amounted to approximately Baht 851 million (2011: Baht 712 million).

As at 31 December 2012, all land with premises thereon and certain machinery and equipment of the Company amounting to Baht 216 million (2011: Baht 204 million) have been mortgaged to secure the credit facilities of the Company granted by the banks.

## 12. Intangible assets

(Unit: Baht)

	Computer software
<b>Cost:</b>	
At 1 January 2011	4,982,398
Acquisition	-
At 31 December 2011	4,982,398
Acquisition	819,350
At 31 December 2012	5,801,748

	(Unit: Baht)
	Computer software
<b>Accumulated amortisation:</b>	
At 1 January 2011	(4,780,019)
Amortisation	(82,888)
At 31 December 2011	(4,862,907)
Amortisation	(152,402)
At 31 December 2012	(5,015,309)
<b>Net book value:</b>	
At 31 December 2011	119,491
At 31 December 2012	786,439

### 13. Bank overdrafts and short-term loans from financial institutions

		(Unit: Baht)	
	Interest rate	2012	2011
	(percent per annum)		
Bank overdrafts	MOR	25,952,983	54,752,734
Short-term loans - promissory notes	MLR - 0.25, MLR - 1.50	20,000,000	30,000,000
Short-term loans - packing credit	LIBOR/SIBOR + 1.50 to 2.50 MLR - 0.25, LIBOR + 4.25, MMR + 1.75, MOR - 1.25	367,710,000	388,080,519
Short-term loans - discounted bills	MMR + 1.75, LIBOR/SIBOR + 1.50	-	2,159,595
Short-term loans - trust receipts	LIBOR/SIBOR + 2.50	10,279,685	1,095,018
Short-term loans - letters of credit	MMR - 0.30, SIBOR + 2.00	59,128,496	-
Total		483,071,164	476,087,866

On 16 February 2012, the Company entered into a Baht 50 million loan agreement with a domestic bank, under which interest was charged at MLR-1% per annum for the first year and MLR for the remaining years. Repayment of principal and interest was to be made in monthly installments amounting to Baht 2 million, with repayment starting in March 2013. However, if the Company launched a public offering of its shares, it had to settle the loan within the date it received the funds from the share offering. On 27 September 2012, the Company made full repayment of such short-term loan by using a portion of its fund from the share offering in September 2012.

The bank overdrafts and short-term loans are secured by the mortgage of all land with premises, certain machinery and equipment of the Company, and the pledge of fixed deposits and guaranteed by certain directors of the Company.

#### 14. Trade and other payables

(Unit: Baht)

	<u>2012</u>	<u>2011</u>
Trade payables - related parties	13,820,300	13,142,543
Trade payables - unrelated parties	177,308,055	165,046,872
Other payables	24,310,400	11,522,467
Other payables for purchase of equipment	10,339,724	7,050,724
Accrued expenses	25,508,032	20,391,867
Accounts payable - related persons	-	11,166,942
Total trade and other payables	<u>251,286,511</u>	<u>228,321,415</u>

#### 15. Long-term loans - net

As at 31 December 2012 and 2011, the outstanding balances of long-term loans obtained from domestic banks are as follows:

(Unit: Baht)

	<u>2012</u>	<u>2011</u>	<u>Interest rate</u>	<u>Repayment</u>	<u>Security</u>
			(percent)		
Facility 1	118,191,263	117,324,646	LIBOR/SIBOR + 1.50 per annum	Monthly installments of principal and interest amounting to not less than USD 201,565 each (2011: USD 172,553 each and Baht 61,880 each)	Mortgage of land with premises thereon and mortgage and pledge of machinery with equipment and guaranteed by the Company's directors.
Facility 2	-	11,430,439	MLR per annum	Monthly installments of principal and interest amounting to Baht 2,000,000, with full repayment to be made within 16 July 2012.	Mortgage of land with premises thereon and mortgage and pledge of machinery with equipment and guaranteed by the Company's directors.
Facility 3	-	2,135,040	MLR - 0.25 per annum	Monthly installments of principal and interest amounting to Baht 300,000, with full repayment to be made within 24 June 2012.	Mortgage and pledge of machinery with equipment and guaranteed by the Company's directors.

(Unit: Baht)

	<u>2012</u>	<u>2011</u>	<u>Interest rate</u>	<u>Repayment</u>	<u>Security</u>
			(percent)		
Facility 4	-	440,000	MLR per annum	Monthly installments of principal and interest amounting to Baht 280,000, with full repayment to be made within 28 February 2012.	Mortgage of land with premises thereon and mortgage and pledge of machinery with equipment and guaranteed by the Company's directors.
Facility 5	12,227,654	16,381,044	Year 1-2: MLR -1.00 per annum Year 3-5: MLR per annum	Monthly installments of principal and interest amounting to Baht 420,000 each, with full repayment to be made within 2015	Mortgage of land and premises thereon and guaranteed by the Company's directors.
Facility 6	21,450,000	-	Year 1-5: MLR - 1.00 per annum	Monthly installments of principal and interest amounting to Baht 400,000 each, with full repayment to be made within 2017	Mortgage of land and premises thereon, pledge of machinery and guaranteed by the Company's directors.
Total	151,868,917	147,711,169			
Less: Current portion	(73,190,791)	(77,966,260)			
Net	78,678,126	69,744,909			

The loan agreements contain several significant covenants that, among other things, require the Company to maintain certain debt to equity and debt service coverage ratios in accordance with the agreements

As at 31 December 2012, the long-term credit facilities of the Company which have not yet been drawn down amounted to Baht 61 million.

## 16. Provisions

(Unit: Baht)

	Provision for product warranty
At 1 January 2011	6,394,606
Increase during the year	3,466,694
Utilised	(399,386)
At 1 January 2012	9,461,914
Utilised	(380,466)
Reversal	(6,539,180)
At 31 December 2012	2,542,268



**17. Provision for long-term employee benefits**

Provision for long-term employee benefits as at 31 December 2012 and 2011, which is compensations on employees' retirement, was as follows:

(Unit: Baht)

	2012	2011
<b>Defined benefit obligation at beginning of year</b>	4,025,094	3,186,938
Current service cost	860,423	709,952
Interest cost	161,921	128,204
Actuarial gain	(375,264)	-
<b>Provision for long-term employee benefits at end of year</b>	<b>4,672,174</b>	<b>4,025,094</b>

Long-term employee benefit expenses included in the profit or loss were as follows:

(Unit: Baht)

	2012	2011
Current service cost	860,423	709,952
Interest cost	161,921	128,204
Actuarial gain recognised during the year	(375,264)	-
<b>Total expense recognised in profit or loss</b>	<b>647,080</b>	<b>838,156</b>
Line items under which such expenses are included in profit or loss		
Cost of sales	180,962	523,308
Administrative expenses	466,118	314,848

Principal actuarial assumptions at the valuation date were as follows:

	2012	2011
	(% per annum)	(% per annum)
Discount rate	3.82	4.02
Future salary increase rate	5.50	5.50
Staff turnover rate (depending on age of employee)	0 - 58	0 - 61

Amounts of defined benefit obligation for the current and previous three periods are as follows:

(Unit: Baht)

	Defined benefit obligation	Experience adjustments arising on the plan liabilities
Year 2012	4,672,174	486,351
Year 2011	4,025,094	-
Year 2010	3,186,938	-
Year 2009	2,515,354	-

## 18. Share capital

### 2011

On 20 December 2011, an extraordinary general meeting of the Company's shareholders approved the following:

- 1) Reduction of its registered share capital from Baht 250 million (250 million ordinary shares at a par value of Baht 1 each) to Baht 200 million (200 million ordinary shares at a par value of Baht 1 each) by canceling 50 million registered capital but unissued shares with a par value of Baht 1 each, a total of Baht 50 million. The Company registered the reduction of registered share capital with the Ministry of Commerce on 21 December 2011.
- 2) Increase of the Company's registered share capital from Baht 200 million (200 million ordinary shares of Baht 1 each) to Baht 295 million (295 million ordinary shares of Baht 1 each), through the issuance of 95 million additional ordinary shares with a par value of Baht 1 each, to be offered as follows:
  - 2.1 32 million new ordinary shares to be offered to the existing shareholders
  - 2.2 3 million new ordinary shares to be offered to the Company's directors and employees.
  - 2.3 60 million new ordinary shares to be offered to the public.

The Company registered the increase of its registered share capital with the Ministry of Commerce on 22 December 2011. During 23 - 27 December 2011, the Company received Baht 32 million for new ordinary shares from its existing shareholders and registered the increase of its paid-up share capital with the Ministry of Commerce on 29 December 2011.

2012

On 10-12 September 2012, the Company had an initial public offering (including the Company's directors and employees) of 63 million ordinary shares of the Company at Baht 3.50 per share, par value at Baht 1 per share. Total proceeds from the Company's newly share offering were Baht 220 million, with a share premium of Baht 151 million, net of related expenses incurred in making the offering. The Company registered the change in its paid-up share capital of Baht 295 million with the Ministry of Commerce on 13 September 2012.

The Market for Alternative Investment approved the listing of the Company's ordinary shares and permitted them to commence trading on 20 September 2012.

**19. Statutory reserve**

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside to a statutory reserve at least 5 percent of its net profit after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of the registered capital. The statutory reserve is not available for dividend distribution.

**20. Expenses by nature**

Significant expenses by nature are as follows:

(Unit: Baht)

	<u>2012</u>	<u>2011</u>
Salary and wages and other employee benefits	102,906,857	91,461,735
Depreciation	129,213,665	129,814,093
Freight charges	91,179,558	63,861,166
Purchases of trading goods	567,040,345	508,305,227
Raw materials and consumables used	330,709,996	309,502,705
Changes in inventories of finished goods and work in process	(16,142,173)	(58,645,913)

**21. Earnings per share**

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

	Profit for the year		Weighted average number of ordinary shares		Earnings per share	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	(Thousand Baht)	(Thousand Baht)	(Thousand shares)	(Thousand shares)	(Baht)	(Baht)
<b>Basic earnings per share</b>						
Profit for the year	162,530	63,431	250,934	200,707	0.65	0.32

## 22. Segment information

The Company operates its business in three principal segments: 1) manufacture and domestic distribution of automotive parts and equipment, 2) manufacture and overseas distribution of automotive parts and equipment and 3) services. Its operations are mainly carried on in Thailand. Below is the financial information of the Company classified by segments for the years ended 31 December 2012 and 2011.

(Unit: Thousand Baht)

	For the years ended 31 December							
	Domestic sales		Export sales		Services		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Revenues	198,880	141,205	1,274,073	1,068,070	27,254	17,164	1,500,207	1,226,439
Segment income	32,265	13,629	280,527	169,017	13,577	3,901	326,369	186,547
Unallocated income and expenses:								
Other income							85,656	73,928
Selling expenses							(102,378)	(70,932)
Administrative expenses							(61,801)	(57,280)
Finance cost							(42,226)	(36,837)
Income tax expenses							(43,090)	(31,995)
Profit for the year							162,530	63,431

## 23. Provident fund

The Company and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Company contribute to the fund monthly at the rate of 3 percent of basic salary. The fund, which is managed by Krungsri Asset Management Co., Ltd., will be paid to employees upon termination in accordance with the fund rules. During the year 2012, the Company contributed Baht 1 million to the fund (2011: Baht 0.4 million).

**24. Dividends**

(Unit: Baht)

Dividends	Approved by	Total dividends	Dividend per share
Interim dividends for 2011	Extraordinary General Meeting of the shareholders on 20 December 2011	52,000,000	0.26
Total for 2011		52,000,000	0.26
Final dividends for 2012	Annual General Meeting of the shareholders on 24 April 2012	44,080,000	0.19
Interim dividends for 2012	Board of Directors' Meeting on 8 November 2012	35,399,904	0.12
Total 2012		79,479,904	0.31

**25. Commitments and contingent liabilities****25.1 Capital commitments**

As at 31 December 2012, the Company had capital commitments of approximately Baht 19 million, relating to the construction of factory buildings (2011: Baht 5 million).

**25.2 Guarantees**

As at 31 December 2012, there were outstanding bank guarantees of approximately Baht 5 million (2011: Baht 4 million) issued by the banks on behalf of the Company in respect of certain performance bonds as required in the normal course of the business.

**26. Financial instruments****26.1 Financial risk management**

The Company's financial instruments, as defined under Thai Accounting Standard No.107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, accounts receivable and payable, short-term and long-term loans. The financial risks associated with these financial instruments and how they are managed is described below.

**Credit risk**

The Company is exposed to credit risk primarily with respect to trade accounts receivable and other receivables. The Company manages the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses. In addition, the Company does not have high concentration of credit risk since it has a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of trade receivables and other receivables as stated in the statement of financial position.

**Interest rate risk**

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

Significant financial assets and liabilities as at 31 December 2012 and 2011 classified by type of interest rates are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

	2012				
	Fixed interest rate	Floating	Non-interest	Total	Interest rate
	within 1 year	interest rate	bearing		
	(Million Baht)				
Financial assets					
Cash and cash equivalents	-	50	-	50	0.75
Restricted bank deposits	35	-	-	35	1.75 - 3.00
Total	35	50	-	85	
Financial liabilities					
Bank overdrafts and short-term loans					
from financial institutions	-	483	-	483	5.65 - 7.75
Long-term loans	-	152	-	152	6.00 - 6.37
Total	-	635	-	635	

	2011				
	Fixed interest rate	Floating	Non-interest	Total	Interest rate
	within 1 year	interest rate	bearing		
	(Million Baht)				
Financial assets					
Cash and cash equivalents	-	1	-	1	0.87
Restricted bank deposits	41	-	-	41	1.05 - 2.50
Total	41	1	-	42	
Financial liabilities					
Bank overdrafts and short-term loans					
from financial institutions	-	476	-	476	5.00 - 7.87
Long-term loans	-	148	-	148	6.25 - 6.62
Total	-	624	-	624	

**Foreign currency risk**

The Company's exposure to foreign currency risk arises mainly from trading transactions and borrowings that are denominated in foreign currencies. The Company seeks to reduce this risk by entering into forward exchange contracts when it considers appropriate. Generally, the forward contracts mature within one year.

The balances of financial assets and liabilities denominated in foreign currencies as at 31 December 2012 and 2011 are summarised below.

2012			
Foreign currency	Financial assets	Financial liabilities	Average exchange rate as at 31 December 2012
	(Million)	(Million)	(Baht per 1 foreign currency unit)
US dollar	12	5	30.39 - 30.78

2011			
Foreign currency	Financial assets	Financial liabilities	Average exchange rate as at 31 December 2011
	(Million)	(Million)	(Baht per 1 foreign currency unit)
US dollar	7	5	31.55 - 31.83

## 26.2 Fair values of financial instruments

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

A fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The fair value is determined by reference to the market price of the financial instruments or by using an appropriate valuation technique, depending on the nature of the instrument.

## 27. Capital management

The primary objective of the Company's capital management is to ensure that it has appropriate capital structure in order to support its business and maximize shareholder value. As at 31 December 2012, the Company's debt-to-equity ratio was 1.56:1 (2011: 2.98:1).

## 28. Event after the reporting period

The Meeting of the Company's Board of Directors, held on 18 February 2013, passed the resolution to propose the payment of a dividend for the year 2012 of Baht 0.20 per share. However, since the Board of Directors previously approved an interim dividend from income of the year 2012 amounting to Baht 0.12 per share, the Board will propose the remaining dividend payment of Baht 0.08 per share, amounting to Baht 23.6 million, for approval by the Annual General Meeting of the Company's shareholders for the year 2013.

## 29. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 18 February 2013.





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บริษัท ฟอจูน पार्ट อินดัสตรี จำกัด (มหาชน)

FORTUNE PARTS INDUSTRY PUBLIC COMPANY LIMITED

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