Grant Thornton

Independent Auditor's Report and Financial Statements of

Sahamitr Pressure Container Public Company Limited

For the Year Ended 31 December 2017

Grant Thornton

INDEPENDENT AUDITOR'S REPORT

Grant Thornton Limited
18th Floor Capital Tower
87/1 Wireless Road
Lumpini, Phatumwan
Bangkok, Thailand
10330

T +66 2 205 8222
F +66 2 654 3339

To the Shareholders of Sahamitr Pressure Container Public Company Limited

Opinion

I have audited the financial statements of Sahamitr Pressure Container Public Company Limited (the "Company"), which comprise the statement of financial position as at 31 December 2017, and the statements of profit or loss and other comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and notes to financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position as at 31 December 2017 and the financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Company in accordance with the Federation of Accounting Professions' Code of Ethics for Professional Accountants, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion. Nawin

Certified Public Accountants and International Business Consultants Grant Thornton Limited is a member firm of Grant Thornton International Ltd ("GTIL"). GTIL and the member firms are not a worldwide partnership. Services are delivered independently by the member firms, which are not responsible for the services or activities of one another. GTIL does not provide services to clients.

Key audit matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Key audit matter	**Audit response**
Allowance for decline in value of inventories As at 31 December 2017, the Company has inventories amount of Baht 701.26 million, which comprises of raw material, work in process, and finished goods. Inventories are presented at the lower of cost or net realizable value. The estimation of allowance for decline in value of inventories involves the management judgements for considering the inventory turnover and deterioration of each category and the change in selling price which can be subjected to market situation. Refer to the notes 4 and 8 to financial statements and significant accounting policies.	I made an inquiry the management to obtain understanding the measurement of the net realizable value of inventories. I evaluated whether the measurement is appropriate and comply with the Company's accounting policy. I tested aging of inventories and evaluate the reasonableness of assumption used to set allowance for decline in value of inventories by management. I considered the movement of inventory and recalculated the amount of allowance for decline in value of inventories by the Company's accounting policy. I examined the calculation of estimated net realizable value of inventories by comparing, on the test basis, the carrying cost of inventories against expected net realizable value. The net realizable is calculated from the selling price subsequent date, or the selling price in the customer's purchase order less the estimated costs necessary to make the sale. I also considered the adequacy of disclosures in the relation to inventories in the notes to financial statements.

Nawin

Grant Thornton

Key audit matter	Audit response
Measurement of fair value for investment property As at 31 December 2017, the Company has investment property with a fair value of Baht 53.48 million, which comprises of land and buildings not used in the operations of the Company. The investment property is revalued at each reporting date to its fair value by an independent appraiser. The independent appraiser applied a market approach for measure the fair value of investment property, and also adjusted for any different factors between the revalued assets and the comparative assets such as location and physical conditions. The Company recognizes the changes in the fair value in profit or loss for the year. The valuation is subject to the valuation model, certain assumptions, independent and professional competency of the appraiser. Refer to the note 10 to financial statements and significant accounting policies.	I reviewed the independent appraiser's report to obtain an understanding of the valuation method of the investment property. I assessed whether the valuation method is appropriate and complies with the Company's accounting policy. I assessed the reasonableness of the key judgement of the independent appraiser, and underlying input for measurement of fair value. In addition, I considered the independence, professional competency and experience of the appraiser whether they are able to measure the fair value appropriately. I also considered the adequacy of disclosures in the relation to fair value measurement in the notes to financial statements.

Nawin

Certified Public Accountants and International Business Consultants Grant Thornton Limited is a member firm of Grant Thornton International Ltd ("GTIL"). GTIL and the member firms are not a worldwide partnership. Services are delivered independently by the member firms, which are not responsible for the services or activities of one another. GTIL does not provide services to clients.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and my auditor's report thereon. The annual report is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I will not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the annual report, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and revised a material misstatement.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Navin

Certified Public Accountants and International Business Consultants Grant Thornton Limited is a member firm of Grant Thornton International Ltd ("GTIL"). GTIL and the member firms are not a worldwide partnership. Services are delivered independently by the member firms, which are not responsible for the services or activities of one another. GTIL does not provide services to clients.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with TSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with TSAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Narin

Certified Public Accountants and International Business Consultants Grant Thornton Limited is a member firm of Grant Thornton International Ltd ("GTIL"). GTIL and the member firms are not a worldwide partnership. Services are delivered independently by the member firms, which are not responsible for the services or activities of one another. GTIL does not provide services to clients.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. I am responsible for the direction, supervision and performance of the audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Narin Churamongkol

Mr. Narin Churamongkol
Certified Public Accountant
Registration No. 8593

Bangkok, Thailand
14 February 2018

SAHAMITR PRESSURE CONTAINER PUBLIC COMPANY LIMITED

STATEMENTS OF FINANCIAL POSITION

ASSETS

	Notes	Thousand Baht	
		31 December 2017	31 December 2016
CURRENT ASSETS			
Cash and cash equivalents	6	118,921	94,807
Trade accounts receivable	7	555,481	417,755
Inventories - net	8	701,257	571,310
Refundable value added tax		25,118	23,985
Other current assets		13,950	8,921
Total Current Assets		1,414,727	1,116,778
NON-CURRENT ASSETS			
Receivable from related parties under guarantee obligation - net	5	-	-
Restricted deposits with banks	9	36,078	35,869
Investment property	10	53,480	41,722
Property, plant and equipment - net	11	933,144	876,924
Deferred income tax asset	23	10,081	10,866
Other non-current assets		432	432
Total Non-Current Assets		1,033,215	965,813
TOTAL ASSETS		2,447,942	2,082,591

_____ Director

( )

_____ Director

( )

The accompanying notes form an integral part of these financial statements.

SAHAMITR PRESSURE CONTAINER PUBLIC COMPANY LIMITED

STATEMENTS OF FINANCIAL POSITION

LIABILITIES AND SHAREHOLDERS' EQUITY

		Thousand Baht	
	Notes	31 December 2017	31 December 2016
CURRENT LIABILITIES			
Short-term loans from bank	12	297,816	291,194
Trade accounts payable		370,373	226,777
Current portion of			
- Long-term loan from bank	13	-	11,100
- Liabilities under finance leases	14	1,237	1,740
Advances from customers		14,562	43,130
Accrued commission expenses		44,943	47,354
Accrued transportation expenses		23,836	24,917
Accrued income tax		69,560	58,920
Other accrued expenses	5	44,711	37,738
Other current liabilities		9,078	8,525
Total Current Liabilities		876,116	751,395
NON-CURRENT LIABILITIES			
Liabilities under finance lease agreements - net	14	4,760	6,009
Liabilities under employee benefits obligation	15	38,074	30,681
Total Non-Current Liabilities		42,834	36,690
Total Liabilities		918,950	788,085

_____ Director

( )

_____ Director

( )

The accompanying notes form an integral part of these financial statements.

SAHAMITR PRESSURE CONTAINER PUBLIC COMPANY LIMITED

STATEMENTS OF FINANCIAL POSITION

LIABILITIES AND SHAREHOLDERS' EQUITY (Continued)

		Thousand Baht	
	Notes	31 December 2017	31 December 2016
SHAREHOLDERS' EQUITY			
Share capital-ordinary shares, Baht 1 par value			
Authorized 536,405,305 shares		536,405	536,405
Issued and fully paid-up 531,987,443 shares			
(2016 : 529,127,108 shares)	16	531,987	529,127
Premium on share capital	16	34,746	18,328
Capital reserve for share-based payment transaction	17	2,640	2,274
Retained earnings			
- Appropriated for legal reserve	20	53,641	53,641
- Unappropriated		905,978	691,136
TOTAL SHAREHOLDERS' EQUITY		1,528,992	1,294,506
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,447,942	2,082,591

_____ Director

( )

_____ Director

( )

The accompanying notes form an integral part of these financial statements.

SAHAMITR PRESSURE CONTAINER PUBLIC COMPANY LIMITED

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEARS ENDED 31 DECEMBER

		Thousand Baht	
	Notes	**2017**	**2016**
Net sales	24	4,326,801	3,468,997
Costs of sales	24, 25	(3,352,512)	(2,475,916)
Gross profit		974,289	993,081
Other income	22	184,822	140,984
Income before expense		1,159,111	1,134,065
Selling expenses	25	(304,288)	(263,919)
Administrative expenses	25	(189,582)	(190,030)
Income before financial costs and income tax		665,241	680,116
Financial costs		(7,752)	(9,933)
Income before income tax		657,489	670,183
Income tax	23	(125,741)	(129,045)
INCOME FOR THE YEARS		531,748	541,138
Other comprehensive income (loss) for the years			
Items not to be reclassified subsequently to profit or loss			
Actuarial loss - net of tax	15	(4,017)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEARS		527,731	541,138
Basic earnings per share			
Income (Baht per share)	18	1.00	1.02
Weighted average number of common shares (share)		530,655,232	528,114,202
Diluted earnings per share			
Income (Baht per share)	18	1.00	1.02
Weighted average number of common shares (share)		532,203,799	530,562,127

_____ Director

( )

_____ Director

( )

The accompanying notes form an integral part of these financial statements.

SAHAMITR PRESSURE CONTAINER PUBLIC COMPANY LIMITED

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED 31 DECEMBER

		Thousand Baht					
		Share Capital	Premium	Capital reserve	Retained earnings		
	Notes	Issued and Fully Paid - Up	on Share Capital	for share-based payment transactions	Appropriated for Legal Reserve	Unappropriated	Total
Balance as at 1 January 2016		526,996	6,098	1,833	37,908	493,061	1,065,896
Recognition of share-base payment	17	-	-	2,444	-	-	2,444
Share capital increment	16	2,131	12,230	(2,003)	-	-	12,358
Dividend payment	19	-	-	-	-	(327,330)	(327,330)
Appropriated for legal reserve	20	-	-	-	15,733	(15,733)	-
Transactions with shareholders		2,131	12,230	441	15,733	(343,063)	(312,528)
Income for the year		-	-	-	-	541,138	541,138
Comprehensive income for the year		-	-	-	-	541,138	541,138
Balance as at 31 December 2016		529,127	18,328	2,274	53,641	691,136	1,294,506
Balance as at 1 January 2017		529,127	18,328	2,274	53,641	691,136	1,294,506
Recognition of share-base payment	17	-	-	3,055	-	-	3,055
Share capital increment	16	2,860	16,418	(2,689)	-	-	16,589
Dividend payment	19	-	-	-	-	(312,889)	(312,889)
Transactions with shareholders		2,860	16,418	366	-	(312,889)	(293,245)
Income for the year		-	-	-	-	531,748	531,748
Actuarial loss - net of tax	15	-	-	-	-	(4,017)	(4,017)
Comprehensive income for the year		-	-	-	-	527,731	527,731
Balance as at 31 December 2017		531,987	34,746	2,640	53,641	905,978	1,528,992

_____ Director

( )

_____ Director

( )

The accompanying notes form an integral part of these financial statements.

SAHAMITR PRESSURE CONTAINER PUBLIC COMPANY LIMITED

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED 31 DECEMBER

	Thousand Baht	
	2017	2016
Cash flows from operating activities:		
Income before income tax	657,489	670,183
Adjustments to reconcile income before income tax to net cash provided from (used in) operating activities:		
Depreciation	52,033	44,256
Unrealized loss on exchange rate - net	65	1,799
Provision for employee benefits obligation	2,689	1,808
Gain from fair value adjustment of investment property	(11,758)	-
Loss (gain) on disposal of assets	(196)	1,076
Reversal of accrued commission expenses	140	-
Expense for share-based payment	3,055	2,444
Gain from sale of temporary investment	(87)	-
Interest expense	7,752	9,933
Cash provided from operations before changes in operating assets and liabilities	711,182	731,499
Decrease (increase) in operating assets:		
Trade accounts receivable	(137,544)	(134)
Inventories	(129,946)	(168,011)
Refundable value added tax	(1,133)	3,414
Other current assets	(5,090)	(2,996)
Increase (decrease) in operating liabilities:		
Trade accounts payable	143,593	(43,021)
Advances received from customers	(28,672)	17,389
Accrued commission expenses	(2,747)	27,792
Accrued transportation expenses	(1,081)	14,749
Other accrued expenses	7,019	2,986
Other current liabilities	(468)	1,189
Employee benefits paid	(1,653)	(987)
Cash provided from operations	553,460	583,869

_____ Director _____ Director

( ) ( )

The accompanying notes form an integral part of these financial statements.

SAHAMITR PRESSURE CONTAINER PUBLIC COMPANY LIMITED

STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED 31 DECEMBER

	Thousand Baht	
	2017	2016
Cash provided from operations (continue)	553,460	583,869
Interest paid	(6,401)	(8,656)
Income tax deducted at sources	(395)	(677)
Income tax paid	(112,917)	(34,927)
Net cash provided from operating activities	433,747	539,609
Cash flows from investing activities:		
Purchase of temporary investment	(120,000)	-
Proceeds from disposal of temporary investment	120,087	-
Increase in restricted deposits with bank	(209)	(294)
Proceeds from disposal of assets	196	1,772
Purchase of property, plant and equipment	(108,253)	(132,887)
Net cash used in investing activities	(108,179)	(131,409)
Cash flows from financing activities:		
Increase (decrease) in short-term loans from bank	6,678	(34,030)
Repayment of long-term loan from bank	(11,100)	(22,800)
Repayment of liabilities under finance leases agreement	(1,752)	(1,228)
Dividend payment	(311,869)	(326,334)
Proceeds from common stock from the exercise of share purchase warrants	16,589	12,358
Net cash used in financing activities	(301,454)	(372,034)
NET INCREASE IN CASH AND CASH EQUIVALENTS	24,114	36,166
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	94,807	58,641
CASH AND CASH EQUIVALENTS AT END OF YEAR	118,921	94,807
Supplemental disclosures for cash flows information		
Non-cash transactions :		
- Purchase of vehicles under finance lease agreement	-	8,015

_____ Director _____ Director

( ) ( )

The accompanying notes form an integral part of these financial statements.

1. NATURE OF BUSINESS

Sahamitr Pressure Container Public Company Limited, the "Company", is incorporated in Thailand and has its registered office at 92, Soi Thientalay 7, 4th intersection, Bangkhunthien – Chaitalay Road, Samaedam, Bangkhunthien, Bangkok, Thailand.

The Company was incorporated as a limited public company in Thailand, and was listed on the Stock Exchange of Thailand on 3 December 1991.

The Company's major shareholders during the financial year were Mrs. Patama Laowong (19.73% shareholding) and Mr. Thamik Ekahitanond (10.20% shareholding).

The Company is engaged in the manufacturing of LPG and other pressure cylinders for both domestic and export sales. In addition, the Company also provides services for container repairs and quality testing for each country's standards.

2. BASIS OF FINANCIAL STATEMENTS PREPARATION

(a) Statement of compliance

The accompanying financial statements have been prepared in accordance with the Accounting Act B.E. 2543, Thai Financial Reporting Standards ("TFRS") issued under the Accounting Professions Act B.E. 2547 and the financial reporting requirements promulgated by the Securities and Exchange Commission under the Securities and Exchange Act B.E. 2535. These financial statements are officially prepared in the Thai language. The translation of these financial statements to other languages must be in compliance with the official report in Thai.

The Federation of Accounting Professions has issued new and revised TFRS, interpretations and guidance effective for annual accounting periods beginning on or after 1 January 2017. The changes were to align with the corresponding International Financial Reporting Standards, with most of the changes relating to the revision of wording and terminology, the provision of interpretations and accounting guidance to the users of the standards. The initial application of these new and revised TFRS has no material effect on the financial statements.

In addition, the Federation of Accounting Professions has issued new and revised TFRS, interpretations and guidance, which will be effective on or after 1 January 2018. The changes were to align with the corresponding International Financial Reporting Standards with most. of the changes relating to the revision of wording and terminology, and the provision of interpretations and accounting guidance to users of the standards. The Company does not plan to adopt these TFRS early.

The Company has made a preliminary assessment of the potential initial impact on the financial statements of these new and revised TFRS and expects that there will be no material impact on the financial statements in the period of initial application.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following items, which are measured on an alternative basis on each reporting date.

Items	**Measurement bases**
Investment property	Fair value
Defined benefit obligation	Present value of the defined benefit obligation as explained in Note 15

Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirely in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Foreign currencies

Foreign currency transactions are translated into the functional currency (Thai Baht), using the exchange rate prevailing at the dates of the transactions (spot exchange rate).

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date.

Non-monetary assets and liabilities measured at cost in foreign currencies are translated into the functional currency at the exchange rates at the dates of the transactions.

Foreign currency differences are recognized in profit or loss as incurred.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and highly liquid cash at banks (which do not have restriction of usage) that are readily convertible to cash on maturity date with insignificant risk of change in value.

Temporary investment

Marketable securities held-for-trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognized in profit or loss.

The fair value of investments classified as held-for-trading is based on the net asset value of the mutual fund at the reporting date.

Disposal of investments

On disposal of an investment, the difference between net disposal proceeds and the carrying amount is recognized in profit or loss.

If the Company disposes of part of its holding of a particular investment, the deemed cost of the part sold is determined using the weighted average method applied to the carrying value of the total holding of the investment.

Trade accounts receivable and allowance for doubtful accounts

Trade accounts receivable are stated at invoice amount net of allowance for doubtful accounts (if any). The Company provides allowance for doubtful accounts equal to the estimated collection losses that may incur in the collection process. The estimated losses are based on historical collection experiences coupled with a review of the current status of receivables.

Related parties

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 directing the Company's operations.

Inventory

Inventories are valued at the lower of cost or net realizable value, by the following methods :

Finished goods and work in process	At cost (average method)
Raw materials and others	At cost (first – in, first – out method)

Net realizable value is the estimated selling price in the ordinary course of the business less the marginal cost to complete (for work in process) and other estimated costs necessary to make the sale.

Cost of purchase consists of purchasing price and other related direct cost, net of discounts and allowances (if any).

Costs of finished goods and work in process consist of raw materials, direct labour, other direct expenses and overhead which are allocated based on the production process.

The Company sets up allowance for decline value of inventories (if any), based on their current status, slow – moving and defectiveness.

Property, plant and equipment

Recognition and measurement

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

Cost is measured by the cash or cash equivalent price of obtaining the asset that bring it to the location and condition necessary for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other income/expense in profit or loss.

Leased assets

Leases where the Company substantially assumes all the risk and rewards of ownership are classified as finance leases. Property, plant and equipment acquired by way of finance leases is capitalised at the lower of its fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the profit or loss.

Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Depreciation

Depreciation is calculated based on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. The estimated useful lives are as follows:

	Years
Land improvements	10
Buildings and improvements	20 - 40
Machinery and equipment	3 - 20
Furniture, fixtures and office equipment	3 - 10
Vehicles	5

No depreciation is provided on freehold land or assets under construction.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Impairment

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount. The impairment loss is recognized in profit or loss unless it reverses a previous revaluation credited to equity, in which case it is charged to equity.

Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Company, is classified as investment property. Investment property also includes property where the future use has not been determined.

Investment property is measured initially at its cost including related transaction costs. After initial recognition, investment property is carried at its fair value estimated by an independent appraiser, and recognize changes in the fair value in profit or loss.

Subsequent expenditure is capitalised to the asset carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Interest-bearing liabilities

Interest-bearing liabilities are recognized initially at fair value less attributable transaction charges. Subsequent to initial recognition, interest-bearing liabilities are stated at amortized cost with any difference between cost and redemption value being recognized in profit or loss over the period of the borrowings on an effective interest basis.

Trade and other accounts payable

Trade and other accounts payable are stated at cost.

Long-term leases

Leases of vehicle where the Company assumes substantially all the benefits and risks of ownership are classified as finance leases. Assets under finance leases are capitalized at the fair value or estimated present value of the underlying lease payments, whichever is lower. Each lease payment is allocated between the liability and finance charges to achieve a constant rate on the outstanding finance balance. Future lease payments, net of financial charges, are recognized as liabilities under finance lease agreements. The financial charge is recognized in the statement of profit or loss over the lease period. Assets acquired under finance lease agreements are depreciated over their useful lives.

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are recognized in the statement of profit or loss on a straight – line basis over the lease period. When an operating lease is terminated before the expiry date of the lease period, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

Revenue

Revenue excludes value added taxes and is arrived at after deduction of trade discounts and volume rebates.

Sale of goods and services rendered

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

Interest income

Interest income is recognized in profit or loss on an accrual basis.

Income tax

The computation of corporate income tax in compliance with the Revenue Code, is based on the taxable profit for the year after adding back expenses that are not deductible in determining taxable profit and the deduction of exempted income, according to the Revenue Code.

Current income tax

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

Deferred income tax

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities and the corresponding amounts used for income tax computation purposes. Deferred income tax is measured at the tax rate that is expected to be applied to the temporary differences when they reverse, using tax rate enacted or substantively enacted at the end of the reporting period.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized. Deferred tax assets are reviewed at the end of each reporting year and reduced to the extent that the related tax benefit will be realized.

Employee benefits

Salaries, wages, bonuses and contribution to the social security are recognized as expenses when incurred.

Post-employment benefits (Defined contribution plans)

The Company and its employees have jointly established a contributory provident fund plan whereby monthly contributions are made by employees and by the Company. The fund assets are held in a separate trust fund. The Company's contributions are recognized as expenses when incurred.

Post-employment benefits (Defined benefit plans)

The Company has obligations in respect of the severance payments for employees upon retirement under the Labour Law.

The obligation under the defined benefit plan is determined by actuary, using the projected unit credit method.

Share-based payments

The grant-date fair value of equity–settled share-based payment awards granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Basic earnings per share

The Company presents basic earnings per share for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share

Diluted earnings per share is calculated by dividing the net income for the year by the number of ordinary shares and the number of equivalent ordinary shares (warrant) by weighting based on the period as if there were conversion of ordinary shares at the issued date of issuance of equivalent ordinary shares.

A calculation is done to determine the potential number of shares that could have been acquired at market price (determined as the average share price of the Company's shares during the period) based on the outstanding warrants to determine the number of potential ordinary shares to be additionally issued. The potential shares are added to the outstanding ordinary shares but no adjustment is made to profit or loss for the year.

Dividend payment

Dividend payment is recorded in the financial statements in the period in which they are approved by the Shareholders or Board of Directors of the Company.

Segment information

Segment results that are reported to the Company's CEO (the chief operating decision maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment information is presented by geography as primary format.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost.

4. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTION AND JUDGMENT AND CAPITAL RISK MANAGEMENT

4.1 Critical accounting estimates, assumption and judgments

4.1.1 Impairment of receivables

The Company accounts for allowance for doubtful accounts equal to the estimated collection losses that may incur in the collection of receivables. The estimated losses are based on uncertainty in the collection as considered by the management.

4.1.2 Allowance for decline in value of inventories

The Company estimates an allowance for slow-moving and defective inventories to reflect impairment of inventories. The allowance is based on the consideration of inventory turnover and deterioration of each inventory category.

4.1.3 Property, plant and equipment and computer software

Management regularly determines the estimated useful lives and residual values of property, plant and equipment and computer software, and will revise the depreciation and the amortization charge where useful lives and residual values previously estimated have changed or subject to be written down for their technical obsolescence or if asset is no longer in used.

4.1.4 Leases

In determining whether a lease is to be classified as an operating lease or finance lease, management is required to use judgment whether significant risk and reward of ownership of the leased asset has been transferred to the Company, taking into consideration terms and conditions of the arrangement.

4.1.5 Impairment of assets

The Company treats asset as impaired when there has been a significant or prolonged decline in the fair value below its costs or where other objective evidences of impairment exists. The determination of what is "significant" or "prolonged" requires management judgment.

4.1.6 Investment property

The Company presented investment property at the fair value estimated by an independent appraiser, and recognize changes in the fair value in profit or loss. The fair value of investment property is determined by the independent valuer using the market approach. The valuation involves certain assumptions and estimates.

4.1.7 Post-employment benefits

The employee benefits obligation for employee retirement in compliance the Thai labour law is measured, using the projected unit credit method which uses actuarial techniques to determine the present value of the estimated future cash outflows based on the interest rates of government securities, where term to maturity approximates the terms of the related obligations and considers salary, turnover rate, mortality rate, length of service and others.

4.1.8 Deferred tax assets

The extent to which deferred tax assets can be recognized is based on an assessment of the probability of the Company future taxable income against which the deductible temporary differences can be utilized. In addition, management judgment is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions

4.2 Capital risk management

The Company's objectives in the management of capital is to safeguard its ability to continue as a going concern to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

To maintain or adjust the capital structure, the Company may issue new shares or issue new debentures to finance debts or sell assets to reduce debts.

5. TRANSACTIONS WITH RELATED PARTIES

The Company has certain accounting transactions with related parties that are related to it through common shareholding and/or directorship. Thus, the financial statements reflect the effects of those transactions on the basis agreed upon between the Company and its related parties, which basis might be different from the basis used for transactions with unrelated parties.

Significant balances with related parties as at 31 December 2017 and 2016 consist of:

	Thousand Baht	
	2017	2016
Receivables from directors, under guarantee obligation for Sahamitr Steel Co., Ltd.		
- Estate of Mr. Sutham Ekahitanond	191,210	191,210
- Mrs. Supha Phromsaka Na Sakolnakorn	191,210	191,210
Total	382,420	382,420
Less Allowance for doubtful accounts	(382,420)	(382,420)
Net	-	-
Key management personnel compensation		
Provision for post-employment benefits	15,367	14,085

The current portion of the provision for post-employment benefits is presented as "Other accrued expenses" and the non-current portion is presented as "Liabilities under employee benefits obligation".

Receivables from directors under guarantee obligations represent the obligations of certain directors under the conditions of the debt restructuring agreement of Sahamitr Steel Co., Ltd. On 19 March 2013, the Company commenced a legal action to claim for the payment of the guarantee obligations of Baht 392.11 million. On 11 June 2014, the Civil Court ordered the directors under the guarantee obligation to pay the Company part of the claim. However, the Company considers that it should receive the full payment of the amount claimed and therefore appealed the judgement of the Civil Court to the Court of Appeal on 1 September 2014.

On 5 August 2015, the Court of Appeal changed the judgement of Civil Court by ordering the directors to pay the full amount. Currently, the Supreme Court has judged according to the Court of Appeal and final decision. The case is in process for compliance the judgment of the Supreme Court. The Company has set up a full allowance for the losses given the uncertainty over the recoverability of these receivables.

Significant transactions with related parties for the years ended 31 December 2017 and 2016 consist of:

	Pricing Policy	Thousand Baht	
		2017	2016
Land rental – related parties	Contract rate	480	240
Key management personnel compensation			
Current employment benefits		84,281	84,658
Provision for post - employment benefits		356	289
Total		84,637	84,947

6. CASH AND CASH EQUIVALENTS

	Thousand Baht	
	2017	2016
Cash	358	290
Saving accounts with banks	113,888	88,553
Current accounts with banks	4,675	5,964
Total	118,921	94,807

7. TRADE ACCOUNTS RECEIVABLE

As at 31 December 2017 and 2016, the aged trade accounts receivable are as follows:

	Thousand Baht	
	2017	2016
Not yet due	358,748	213,813
Over due		
Less than 3 months	196,719	199,143
More than 3 months, not over 6 months	14	705
More than 6 months, not over 12 months	-	4,094
Total	555,481	417,755

The normal credit term is between 30 days and 90 days.

8. INVENTORIES – NET

	Thousand Baht	
	2017	2016
Finished goods	28,446	55,224
Work in process	28,681	36,579
Raw materials and others	644,786	480,163
Total	701,913	571,966
Less Allowance for decline in value of inventories	(656)	(656)
Net	701,257	571,310

During the years ended 31 December 2017 and 2016, inventories recognized as an expense in cost of sales of Baht 3,352.51 million and Baht 2,475.92 million, respectively.

9. RESTRICTED DEPOSITS WITH BANKS

As at 31 December 2017 and 2016, the Company's fixed and saving deposits totalling Baht 36.08 million and Baht 35.87 million, respectively, are restricted for usage as they have been pledged as collaterals for letters of guarantee issued by a local bank for utilities usage, performance bond, and for loan from bank.

10. INVESTMENT PROPERTY

As at 31 December 2017 and 2016, the outstanding balances of investment property are as follows:

	Thousand Baht	
	2017	2016
Land	28,900	26,800
Land and construction	24,580	14,922
Total	53,480	41,722

Investment property comprise land and construction not occupied by the Company, and property where the future use has not been determined.

During the years ended 31 December 2017 and 2016, movement of the investment property are as follows:

	Thousand Baht	
	2017	2016
Net book value as at 1 January	41,722	41,722
Gain from fair value adjustment for the year	11,758	-
Net book value as at 31 December	53,480	41,722

Measurement of fair value

As at 31 December 2017 and 2016, investment property was revalued by 2 independent professional appraisers consist of Year Appraisal Co., Ltd., and Bell Survey Ltd. at open market values on an existing use basis. Certain investment property has been mortgaged as collateral for credit facility as discussed in Note 12 to the financial statements.

The fair value of investment property was determined by external independent property valuers, having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued and have been approved by The Securities and Exchange Commission. The independent appraisers applied a market approach on an existing use basis by comparing the value to market price of other property in the nearby location (Level 2). The Company recognized changes in the fair value of investment property in profit or loss for the year.

11. PROPERTY, PLANT AND EQUIPMENT

	Thousand Baht						
	Land and improvement	Building and improvement	Machinery and equipment	Furniture fixtures and office Equipment	Vehicles	Machinery under installation and construction in progress	Total
Cost							
1 January 2016	193,778	381,146	639,916	35,748	60,737	91,293	1,402,618
Acquisitions	330	-	18,074	2,889	12,785	106,824	140,902
Disposals	-	-	(7,879)	(591)	(14,861)	-	(23,331)
Transfer in / (out)	9,419	80,724	79,570	-	-	(169,713)	-
31 December 2016	203,527	461,870	729,681	38,046	58,661	28,404	1,520,189
Acquisitions	-	-	20,370	2,083	-	87,206	109,659
Disposals / write-off	(1,406)	-	(288)	-	(1,364)	-	(3,058)
Transfer in / (out)	-	628	59,596	-	-	(60,224)	-
31 December 2017	202,121	462,498	809,359	40,129	57,297	55,386	1,626,790

	Thousand Baht						
	Land and improvement	Building and improvement	Machinery and equipment	Furniture fixtures and office Equipment	Vehicles	Machinery under installation and construction in progress	Total
Accumulated depreciation							
1 January 2016	31,501	184,186	314,714	31,368	57,723	-	619,492
Depreciation for the year	225	9,791	29,310	2,048	2,882	-	44,256
Accumulate depreciation for Disposals	-	-	(5,034)	(588)	(14,861)	-	(20,483)
31 December 2016	31,726	193,977	338,990	32,828	45,744	-	643,265
Depreciation for the year	869	11,336	34,919	1,373	3,536	-	52,033
Accumulate depreciation for Disposals	-	-	(288)	-	(1,364)	-	(1,652)
31 December 2017	32,595	205,313	373,621	34,201	47,916	-	693,646
Net book value							
31 December 2016	171,801	267,893	390,691	5,218	12,917	28,404	876,924
31 December 2017	169,526	257,185	435,738	5,928	9,381	55,386	933,144

Depreciation for the year 2016	
Cost of goods sold	37,148
Administrative expense	7,108
Total	44,256
Depreciation for the year 2017	
Cost of goods sold	44,017
Administrative expense	8,016
Total	52,033

The Company's land and buildings and a part of machinery have been mortgaged as collateral for credit facilities as discussed in Note 12 to the financial statements.

As at 31 December 2017 and 2016, the cost of fully depreciated assets which remain in use amounted to Baht 129.96 million and Baht 126.70 million, respectively.

12. SHORT-TERM LOANS FROM BANK

	Thousand Baht	
	2017	2016
Liabilities under trust receipt agreements (secured)	297,816	277,758
Promissory note (secured)	-	13,436
Total	297,816	291,194

As at 31 December 2017, the Company has credit facilities from bank totaling Baht 5,581 million (2016 : Baht 5,231 million). The promissory notes and liabilities under trust receipts bear interest at the rates of 1.50% - 2.20% per annum (2016 : 1.50% - 4.50% per annum). The loan is collateralized by the mortgages of the Company's land, buildings and certain machinery thereon and investment property, bank deposit of Baht 36.08 million (2016 : Baht 35.87 million), the pledge of the Company shares belonging to the Company's shareholders and the personal guarantees of certain Company's directors. The Company had unutilised credit facilities of Baht 4,431 million (2016 : Baht 3,828 million).

13. LONG-TERM LOANS FROM BANK

Movements in the long-term loan during the year period ended 31 December 2017 are summarized below.

	Thousand Baht	
	2017	2016
Balance as at 1 January 2017	11,100	33,900
Less Repayments	(11,100)	(22,800)
Balance as at 31 December 2017	-	11,100

During the year ended 31 December 2017, the long-term loan from bank was fully repaid.

14. LIABILITIES UNDER FINANCE LEASE AGREEMENTS – NET

As at 31 December 2017 and 2016, the Company has financial lease agreements for vehicles that are being used in the operations with installment periods of 48 - 49 months as follows:

	Thousand Baht	
	31 December 2017	31 December 2016
Liabilities under financial leases		
Due within 1 year	1,663	2,114
Due over 1 year but not more than 4 years	5,071	6,786
Total	6,734	8,900
Less Deferred interest	(737)	(1,151)
	5,997	7,749
Less Portion due within 1 year	(1,237)	(1,740)
Net	4,760	6,009

15. LIABILITIES UNDER EMPLOYEE BENEFITS OBLIGATION

	Thousand Baht	
	2017	2016
Statement of financial position obligations for:		
Post-employment benefits	38,074	30,681
Statement of profit and loss and other comprehensive income:		
Recognized in profit or loss:		
Post-employment benefits	2,689	2,942
Recognized in other comprehensive income		
Actuarial loss - net of tax	4,017	-

The Company has an obligation under the Thai Labour Protection Act B.E 2541 (1998) to provide retirement benefits to employees based on pensionable remuneration and length of service.

During the years ended 31 December 2017 and 2016, movements in employee benefits obligation are as follows:

	Thousand Baht	
	2017	2016
Balance as at 1 January	30,681	28,726
Recognized in profit or loss		
- Current service costs	2,689	1,808
- Interest on obligation	1,336	1,134
Actuarial loss	5,021	-
Benefits paid	(1,653)	(987)
Balance as at 31 December	38,074	30,681

Principal actuarial assumptions are as follows:

Discount rate	4.0 percent per annum
Future salary increment rate	6.0 percent per annum
Normal retirement age	60 years
Number of employees	414 persons

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	Thousand Baht	
	Effect to the defined benefit obligation	
	2017	2016
Discount rate (1% increment)	(4,003)	(3,715)
Discount rate (1% decrement)	4,685	4,322
Future salary growth (1% increment)	4,319	4,947
Future salary growth (1% decrement)	(3,772)	(4,283)
Employee turnover (1% increment)	(4,316)	(4,656)
Employee turnover (1% decrement)	5,007	5,454

16. SHARE CAPITAL AND PREMIUM ON SHARE CAPITAL

During the year ended 31 December 2017, the warrant holders exercised 2,860,335 warrants to buy 2,860,335 ordinary shares with an exercise price of Baht 5.80 per share. The Company has received additional paid-up share capital, share premium and adjustment to recognize warrants of Baht 2.86 million, Baht 16.42 million and Baht 2.69 million, respectively.

During the year ended 31 December 2016, the warrant holders exercised 2,130,595 warrants to buy 2,130,595 ordinary shares with an exercise price of Baht 5.80 per share. The Company received additional paid-up share, share premium and adjustment to recognize warrants of Baht 2.13 million and Baht 12.23 million and Baht 2.00 million, respectively.

17. WARRANTS

The Company allocated and issued 9,400,000 warrants to the management, directors and employees of the Company free of charge ("ESOP"). The exercise period is within 3 years commencing on 15 June 2015, and the warrants can be exercised to acquire the new ordinary shares of the Company for 3 consecutive years. The warrants are first exercisable after 1 year after the date the warrants were allotted. The exercise ratio is 1 warrant per 1 new ordinary share, and the exercise price is Baht 5.80 per share. The percentage of warrants that exercisable is as follow:

Exercise date	Percent of the total warrants
15 June 2016	30
15 June 2017	30
15 June 2018	40

During the years ended 31 December 2017 and 2016, the Company recorded expenses of Baht 3.05 million and Baht 2.44 million, respectively, related to the ESOP scheme as employee expense in the statement of profit or loss and other comprehensive income, together with a corresponding increase in "Capital reserve for share-based payment transactions" in the shareholders' equity.

During the years ended 31 December 2017 and 2016, movements in warrants are as follows:

	2017		2016	
	Number of warrants (Unit)	Capital reserve for share – based payment transactions (Thousand Baht)	Number of warrants (Unit)	Capital reserve for share – based payment transactions (Thousand Baht)
Balance as at 1 January	6,992,105	2,274	9,122,700	1,833
Recognition of share-base payment as expenses during the year	-	3,055	-	2,444
Exercise of warrants	(2,860,335)	(2,689)	(2,130,595)	(2,003)
Balance as at 31 December	4,131,770	2,640	6,992,105	2,274

18. EARNINGS PER SHARE

The calculation of earnings per share, basic and diluted earnings per share for years ended 31 December 2017 and 2016 are as follows:

	Profit for the year ended 31 December		Weighted average ordinary shares		Earnings per share	
	2017	2016	2017	2016	2017	2016
	(Thousand Baht)	(Thousand Baht)	(Thousand shares)	(Thousand shares)	(Baht)	(Baht)
Basic earnings per share						
Profit attributable to shareholders of the Company	531,748	541,138	530,655	528,114	1.00	1.02
Potential effect of dilutive ordinary shares						
Warrants	-	-	1,549	2,448		
Diluted earnings per share						
Profit of ordinary shareholder assuming the exercise of warrants	531,748	541,138	532,204	530,562	1.00	1.02

19. DIVIDEND PAYMENT

At the Board of Directors' meeting No. 4/2017 held on 10 August 2017, the Board of Director passed a resolution to pay an interim dividend payment from the operating profit for the six-month period ended 30 June 2017 of Baht 0.25 per share for 531,987,443 shares, totalling Baht 133 million. The dividend was paid on 8 September 2017.

At the 2017 Annual General Meeting of Shareholders held on 30 March 2017, the shareholders passed a resolution to pay a dividend from the profit for the year ended 31 December 2016 of Baht 0.64 per share. An approved interim dividend payment for the six-month period ended 30 June 2016 had already been paid of Baht 0.30 per share for 529,127,108 shares, totaling Baht 159 million on 9 September 2016. The remaining dividend payment for the period from 1 July 2016 to 31 December 2016 of Baht 0.34 per share, totaling Baht 180 million, was paid on 28 April 2017.

At the Board of Directors' meeting No. 4/2016 held on 10 August 2016, the Board of Director passed a resolution to appropriate an interim dividend payment from the profit for the six-month period ended 30 June 2016 at Baht 0.30 per share for 529,127,108 shares, totalling Baht 159 million. The dividend was paid on 9 September 2016.

At the 2016 Annual General Meeting of Shareholders held on 30 March 2016, the shareholders passed a resolution to make a dividend payment from the profit for the year ended 31 December 2015 of Baht 0.44 per share, of which an interim cash dividend payment for the period from 1 January 2015 to 30 June 2015 had been paid of Baht 0.12 per share on 4 September 2015. The Company therefore, had a remaining dividend payment for the period from 1 July 2015 to 31 December 2015 of Baht 0.32 per share totaling Baht 169 million. The dividend was paid on 29 April 2016.

As at 31 December 2017, the Company has an accrual for dividends payable amounting to Baht 2.54 million (31 December 2016 : Baht 1.52 million) under current liabilities.

20. LEGAL RESERVE

Under the provision of the Public Company Act B.E. 2535, the Company is required to appropriate at least 5% of its annual net income, after deduction of the deficit brought forward (if any), as reserve fund until the reserve reaches not less than 10% of the registered share capital. This reserve is not available for dividend distribution.

21. PROVIDENT FUND

The Company and employee have established a contributory Provident Fund. This Provident Fund has already been registered under the Provident Fund Act, B.E. 2530. Under the Fund plan, employee has to contribute to the fund at the specific rate and will be entitled to receive the fund when employee is no longer member in accordance with regulation of the fund. The Company's contribution to the Fund for the year 2017, amounted to Baht 3.42 million (2016 : Baht 3.11 million).

22. OTHER INCOME

Other income for the years ended 31 December 2017 and 2016 are as follows:

	Thousand Baht	
	2017	2016
Scrap sales	131,242	111,266
Gain on exchange rate	25,810	16,709
Gain from fair value adjustment of investment property	11,758	-
Fees for the test of cylinder quality	6,900	4,655
Freight income	2,834	3,192
Others	6,278	5,162
Total	184,822	140,984

23. INCOME TAX

Deferred income tax

The movements in deferred income tax assets / liabilities for the years ended 31 December 2017 and 2016 are as follows:

	Thousand Baht			
		(charged) /credit to		
	1 January 2017	Profit or loss	Other comprehensive loss	31 December 2017
Deferred income tax assets				
From adjustment the fair value of investment property	5,843	(2,352)	-	3,491
From provision for employee benefits obligation	6,136	475	1,004	7,615
Total	11,979	(1,877)	1,004	11,106
Deferred income tax liability				
From property, plant and equipment	(1,113)	88	-	(1,025)
Deferred tax assets – net	10,866	(1,789)	1,004	10,081

	Thousand Baht			
		(charged) /credit to		
	1 January 2016	Profit or loss	Other comprehensive income	31 December 2016
Deferred income tax assets				
From adjustment the fair value of investment property	5,843	-	-	5,843
From provision for employee benefits obligation	5,745	391	-	6,136
From taxable loss carried forward not over 5 years	35,000	(35,000)	-	-
Total	46,588	(34,609)	-	11,979
Deferred income tax liability				
From property, plant and equipment	(1,201)	88	-	(1,113)
Deferred tax assets – net	45,387	(34,521)	-	10,866

Reconciliation of effective tax rate

	2017		2016	
	Rate (%)	(Thousand) (Baht)	Rate (%)	(Thousand) (Baht)
Income before income tax expense		657,489		670,183
Income tax at corporation tax rate	20%	131,498	20%	134,037
Income tax expense from non deductible expense for tax purpose		1,007		576
Income tax benefit from additional deduction of expenses for tax purpose		(6,930)		(5,568)
Adjustment for lower provision in prior years		166		-
Net		125,741		129,045

24. SEGMENTAL FINANCIAL INFORMATION

Significant segmental financial information for the years ended 31 December 2017 and 2016 are as follows

	Thousand Baht					
	For the years ended 31 December					
	2017			2016		
	Domestic	Export	Total	Domestic	Export	Total
Net sales	239,982	4,086,819	4,326,801	193,474	3,275,523	3,468,997
Cost of sales	(183,769)	(3,168,743)	(3,352,512)	(133,577)	(2,342,339)	(2,475,916)
Gross profit	56,213	918,076	974,289	59,897	933,184	993,081

Gross profit for domestic and export sales derived from the deduction of related costs of sales, which are calculated by the weighted average standard cost of each product.

Major Customer

For the year ended 31 December 2017, the Company's revenues arose from sales to a major private company totalling to Baht 663 million. For the year ended 31 December 2016, the Company's revenues arose from sales to 2 major private companies totalling to Baht 868 million.

25. EXPENSES BY NATURE

Significant expenses by nature for the years ended 31 December 2017 and 2016 are as follows :

	Thousand Baht	
	2017	2016
Raw materials and consumable supplies used	2,639,171	1,919,178
Changes in finished goods and work in process	34,677	(40,967)
Salaries, wages and other employee benefits	351,530	327,276
Transportation expenses	191,868	120,456
Commission	72,850	108,560
Depreciation	52,033	44,256
Other	504,253	451,106
Total	3,846,382	2,929,865

26. COMMITMENTS

As at 31 December 2017, the Company has the following commitments:

26.1 An obligation under a domestic bank guarantee amounting to Baht 435.22 million for the issuance of letters of guarantee to the Customs Department to exempt the Company from paying anti-dumping duties for materials imported for manufacturing and re-export within one-year.

26.2 Obligations under domestic bank guarantees for electricity usage and other matters totalling Baht 50.65 million.

Such letters of guarantee are guaranteed by the mortgage of the Company's land, buildings and certain machinery as disclosed in Notes 10 and 11 and the personal guarantee of certain of the Company's director.

27. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities carried on the statement of financial position include cash and cash equivalents, trade accounts receivable and payable, short – term loan, advances from customers, accrued commission expenses and long-term loan. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies

Foreign Currency Risk

The Company has foreign currency risk exposure relating to sales and purchases denominated in foreign currencies. As at 31 December 2017 and 2016, the Company has unhedged assets and liabilities in foreign currencies from the import and export of products with natural hedges as follows:

	2017		
	Foreign currencies (Thousand Unit)	Exchange rate (Closing rate)	Baht equivalent (Thousand Baht)
Cash and cash equivalent in foreign currencies			
USD	34	32.5146	1,097
Trade accounts receivable in foreign currencies			
USD	10,866	32.5146	353,299
EUR	3,487	38.6607	134,812

	2017		
	Foreign currencies (Thousand Unit)	Exchange rate (Closing rate)	Baht equivalent (Thousand Baht)
Trade accounts payable in foreign currencies			
USD	8,929	32.8472	293,303
Short–term loans from bank in foreign currency			
USD	2,674	32.8472	87,829
Advances from customers in foreign currency			
USD	230	32.8472	7,565
EUR	54	39.3938	2,134
GBP	21	44.4531	901
Accrued commission expenses in foreign currency			
USD	1,234	32.8472	40,531
EUR	112	39.3938	4,412

	2016		
	Foreign currencies (Thousand Unit)	Exchange rate (Closing rate)	Baht equivalent (Thousand Baht)
Cash and cash equivalent in foreign currencies			
USD	34	35.6588	1,201
Trade accounts receivable in foreign currencies			
USD	8,542	35.6588	304,601
EUR	1,199	37.3791	44,828
Trade accounts payable in foreign currencies			
USD	600	36.0025	21,615
Short–term loans from bank in foreign currency			
USD	7,715	36.0025	277,758

	2016		
	Foreign currencies (Thousand Unit)	Exchange rate (Closing rate)	Baht equivalent (Thousand Baht)
Advances from customers in foreign currency			
USD	855	36.0025	30,490
EUR	125	38.1362	4,661
GBP	37	44.4775	1,600
Accrued commission expenses in foreign currency			
USD	1,252	36.0025	45,075
EUR	60	38.1362	2,278

Credit Risk

The Company provides credit term on its trade transactions. The Company manages its exposure to credit risk by closely monitoring collection of accounts receivable and focuses on overdue accounts. In the case of doubt about the collection of accounts receivable, the Company provides allowance in the accounts as deemed necessary.

Interest Rate Risk

The interest rate risk is that future movements in market interest rates that will affect the results of the Company operations and its cash flows. The Company's exposure to interest rate risk relates primarily to their deposits with bank, loans from bank and liabilities under finance lease agreements as at 31 December 2017 and 2016 as follows:

	Thousand Baht				
	2017				
	Floating rate	Fixed rate	No interest	Total	Interest rate (%)
Financial assets/ liabilities					
Cash and cash equivalents	113,888	-	5,033	118,921	0.10% - 0.65%
Trade accounts receivable	-	-	555,481	555,481	-
Restricted deposits with banks	-	36,078	-	36,078	0.65% - 1.00%
Short-term loans from bank	297,816	-	-	297,816	1.50% - 2.20%
Trade accounts payable	-	-	370,373	370,373	-
Liabilities under finance lease agreement	-	5,997	-	5,997	2.35% - 6.94%

	Thousand Baht				
	2016				
	Floating rate	Fixed rate	No interest	Total	Interest rate (%)
Financial assets/ liabilities					
Cash and cash equivalents	88,553	-	6,254	94,807	0.37% - 0.50%
Trade accounts receivable	-	-	417,755	417,755	-
Restricted deposits with banks	-	35,869	-	35,869	0.65% - 1.10%
Short-term loans from bank	291,194	-	-	291,194	1.50% - 4.50%
Trade accounts payable	-	-	226,777	226,777	-
Long-term loans from bank	11,100	-	-	11,100	5.25% - 5.50%
Liabilities under finance lease agreement	-	7,749	-	7,749	2.35% - 6.94%

Liquidity Risk

Liquidity risk arises from the possibility that customers may not be able to settle obligations to the Company within the normal terms of trade. To manage this risk, the Company periodically assesses the financial viability of customers.

As of 31 December 2017 and 2016, the financial instrument classified by the periods of time from the date on the statements of financial position to their maturity dates are as follows:

	Thousand Baht			
	2017			
	At call	Within 1 year	Over 1 year	Total
Financial assets/ liabilities				
Cash and cash equivalents	118,921	-	-	118,921
Trade accounts receivable	555,481	-	-	555,481
Restricted deposits with banks	-	-	36,078	36,078
Short-term loans from bank	-	297,816	-	297,816
Trade accounts payable	370,373	-	-	370,373
Liabilities under finance lease agreement	-	1,237	4,760	5,997

	Thousand Baht			
	2016			
	At call	Within 1 year	Over 1 year	Total
Financial assets/ liabilities				
Cash and cash equivalents	94,807	-	-	94,807
Trade accounts receivable	417,755	-	-	417,755
Restricted deposits with banks	-	-	35,869	35,869
Short-term loans from bank	-	291,194	-	291,194
Trade accounts payable	226,777	-	-	226,777
Long-term loans from bank	-	11,100	-	11,100
Liabilities under finance lease agreement	-	1,740	6,009	7,749

Fair Value of Financial Instruments

The fair value of financial assets and liabilities approximate to the carrying value in the financial statements.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments.

- Cash and cash equivalents, restricted deposits with banks and accounts receivable - the carrying values approximate their fair values due to the relatively short-term maturity of these financial instruments.
- Loans from bank, and accounts payable - trade and liabilities under finance leases, the carrying amounts of these financial liabilities approximate their fair values due to the relatively short-term maturity.

28. CONTINGENT LIABILITIES

On 1 April 2015, a company, who owns land near the Company's factory area, sued the Company as a joint defendant with four other parties in the Civil Court for compensation caused by the Company's production process amounting to Baht 130.94 million of a total claim amount Baht 201.88 million, which includes interest at a rate of 7.50 percent per annum from 1 April 2015 to the expected payment date. The Civil Court determined that this is an environmental claim on 30 January 2017 subsequently disposed the case for the defendant No 3, 4 and 5. Currently, the Company has improved its factory to reduce the environmental impact. On 29 January 2018, the plaintiff's lawyer announced the results of examination by an independent expert that the sound volume near the factory area is as agreed upon by both parties. However, the plaintiff requested to have additional memorandum about the environmental impact. Thus, the Civil Court has scheduled for the result of the additional consideration on 23 April 2018.

In addition, the plaintiff is suing Government authorities in respect of the legality of the issuance of Company's factory license. Consequently, the Company has been subpoenaed as an interpleader by the Central Administrative Court. Currently, the Company is waiting for the order of the Central Administrative Court. However, the Company believes that their business operations are compliant with the law and there will be no any damages from such case. The Company therefore, has not set up any provision in the financial statements.

29. EVENTS AFTER THE REPORTING PERIOD

At the Board of Directors' meeting held on 14 February 2018, the Board of Director passed a resolution to propose to the Annual General Meeting of the Shareholders to approve dividend payment for the net profit for the year ended 31 December 2017 at Baht 0.60 per share, in which the interim dividend payment for the six-month period ended 30 June 2017 has been paid of Baht 0.25 per share for 531,987,443 shares, totaling Baht 133 million on 8 September 2017. The Company therefore, has remaining dividend payment for the period from 1 July 2017 to 31 December 2017 of Baht 0.35 per share, totaling not exceeding Baht 186.20 million.

30. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorized by the Board of Directors on 14 February 2018.

Grant Thornton

grantthornton.co.th

© 2017 Grant Thornton Limited. All rights reserved.

Grant Thornton Limited is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions. Please see www.grantthornton.co.th for further details.