

Pacific Pipe Public Company Limited and its subsidiaries
Report and consolidated interim financial statements
For the three-month and six-month periods ended 30 June 2014

Independent Auditor's Report on Review of Interim Financial Information

To the Shareholders of Pacific Pipe Public Company Limited

I have reviewed the accompanying consolidated statement of financial position of Pacific Pipe Public Company Limited and its subsidiaries as at 30 June 2014, the related consolidated statements of comprehensive income for the three-month and six-month periods ended 30 June 2014, and the related consolidated statements of changes in shareholders' equity and cash flows for the six-month period then ended, as well as the condensed notes to the consolidated financial statements. I have also reviewed the separate financial information of Pacific Pipe Public Company Limited for the same period. Management is responsible for the preparation and presentation of this interim financial information in accordance with Thai Accounting Standard 34 *Interim Financial Reporting*. My responsibility is to express a conclusion on this interim financial information based on my review.

Scope of Review

I conducted my review in accordance with Thai Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Thai Standards on Auditing and consequently does not enable me to obtain assurance that I would become aware of all significant matters that might be identified in an audit. Accordingly, I do not express an audit opinion.

Conclusion

Based on my review, nothing has come to my attention that causes me to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with Thai Accounting Standard 34 *Interim Financial Reporting*.

Chonlaros Suntiasvaraporn
Certified Public Accountant (Thailand) No. 4523

EY Office Limited
Bangkok: 8 August 2014

Pacific Pipe Public Company Limited and its subsidiaries

Statement of financial position

As at 30 June 2014

(Unit: Thousand Baht)

		Consolidated financial statements		Separate financial statements	
	<u>Note</u>	<u>30 June 2014</u>	<u>31 December 2013</u>	<u>30 June 2014</u>	<u>31 December 2013</u>
		(Unaudited but reviewed)	(Audited)	(Unaudited but reviewed)	(Audited)
Assets					
Current assets					
Cash and cash equivalents		379,556	297,646	254,434	194,661
Trade and other receivables	3	697,024	598,054	650,308	551,141
Inventories	4	1,407,588	1,392,787	1,407,585	1,373,079
Advance for raw material	5	150,911	15,955	150,911	15,955
Other current assets		<u>18,457</u>	<u>4,985</u>	<u>17,580</u>	<u>4,189</u>
Total current assets		<u>2,653,536</u>	<u>2,309,427</u>	<u>2,480,818</u>	<u>2,139,025</u>
Non-current assets					
Investments in subsidiaries		-	-	11,996	11,996
Property, plant and equipment	6	1,302,813	1,108,782	1,258,634	1,069,890
Intangible assets		31,875	32,556	31,811	32,483
Deferred tax assets		4,041	3,985	-	-
Other non-current assets		<u>125</u>	<u>125</u>	<u>-</u>	<u>-</u>
Total non-current assets		<u>1,338,854</u>	<u>1,145,448</u>	<u>1,302,441</u>	<u>1,114,369</u>
Total assets		3,992,390	3,454,875	3,783,259	3,253,394

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

Pacific Pipe Public Company Limited and its subsidiaries

Statement of financial position (continued)

As at 30 June 2014

(Unit: Thousand Baht)

		Consolidated financial statements		Separate financial statements	
	<u>Note</u>	<u>30 June 2014</u>	<u>31 December 2013</u>	<u>30 June 2014</u>	<u>31 December 2013</u>
		(Unaudited but reviewed)	(Audited)	(Unaudited but reviewed)	(Audited)
Liabilities and shareholders' equity					
Current liabilities					
Short-term loans from financial institutions	7	1,526,260	825,517	1,526,260	825,517
Trade and other payables	9	117,168	195,231	123,279	197,594
Income tax payable		40,402	38,709	32,609	31,291
Other current liabilities		<u>12,107</u>	<u>27,030</u>	<u>9,517</u>	<u>25,518</u>
Total current liabilities		<u>1,695,937</u>	<u>1,086,487</u>	<u>1,691,665</u>	<u>1,079,920</u>
Non-current liabilities					
Long-term loan from related party	2	100,000	100,000	100,000	100,000
Provision for long-term employee benefits	10	21,937	20,564	17,446	16,318
Deferred tax liabilities		<u>5,936</u>	<u>2,427</u>	<u>5,936</u>	<u>2,427</u>
Total non-current liabilities		<u>127,873</u>	<u>122,991</u>	<u>123,382</u>	<u>118,745</u>
Total liabilities		1,823,810	1,209,478	1,815,047	1,198,665

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

Pacific Pipe Public Company Limited and its subsidiaries

Statement of financial position (continued)

As at 30 June 2014

(Unit: Thousand Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>30 June 2014</u>	<u>31 December 2013</u>	<u>30 June 2014</u>	<u>31 December 2013</u>
	(Unaudited but reviewed)	(Audited)	(Unaudited but reviewed)	(Audited)
Shareholders' equity				
Share capital				
Registered				
660,000,000 ordinary shares of Baht 1 each	<u>660,000</u>	<u>660,000</u>	<u>660,000</u>	<u>660,000</u>
Issued and fully paid up				
660,000,000 ordinary shares of Baht 1 each	660,000	660,000	660,000	660,000
Share premium				
Share premium on ordinary shares	514,845	514,845	514,845	514,845
Surplus on treasury shares	1,011	1,011	1,011	1,011
Retained earnings				
Appropriated - statutory reserve	67,000	67,000	67,000	67,000
Unappropriated	<u>925,724</u>	<u>1,002,541</u>	<u>725,356</u>	<u>811,873</u>
Total shareholders' equity	<u>2,168,580</u>	<u>2,245,397</u>	<u>1,968,212</u>	<u>2,054,729</u>
Total liabilities and shareholders' equity	<u>3,992,390</u>	<u>3,454,875</u>	<u>3,783,259</u>	<u>3,253,394</u>
	-	-	-	-

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

Directors

(Unaudited but reviewed)

Pacific Pipe Public Company Limited and its subsidiaries

Statement of comprehensive income

For the three-month period ended 30 June 2014

(Unit: Thousand Baht, except earnings per share expressed in Baht)

	<u>Note</u>	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
		<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Profit or loss:					
Revenues					
Sales and service income	2	1,923,442	1,889,275	1,903,900	1,872,353
Dividend income	2	-	-	27,806	-
Other income		43,931	57,169	43,528	56,245
Total revenues		<u>1,967,373</u>	<u>1,946,444</u>	<u>1,975,234</u>	<u>1,928,598</u>
Expenses					
Cost of sales and services		1,765,526	1,773,030	1,760,644	1,772,236
Selling expenses		31,126	35,184	45,353	46,004
Administrative expenses		56,012	57,001	50,723	52,001
Exchange loss		780	55,658	781	55,658
Total expenses		<u>1,853,444</u>	<u>1,920,873</u>	<u>1,857,501</u>	<u>1,925,899</u>
Profit before finance cost					
and income tax expenses		113,929	25,571	117,733	2,699
Finance cost		(13,083)	(16,625)	(12,929)	(16,446)
Profit (loss) before income tax expenses		<u>100,846</u>	<u>8,946</u>	<u>104,804</u>	<u>(13,747)</u>
Income tax expenses	11	(20,302)	1,876	(15,512)	6,144
Profit (loss) for the period		<u>80,544</u>	<u>10,822</u>	<u>89,292</u>	<u>(7,603)</u>
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		<u>80,544</u>	<u>10,822</u>	<u>89,292</u>	<u>(7,603)</u>
Earnings per share					
Basic earnings per share					
Profit (loss) for the period	12	<u>0.12</u>	<u>0.02</u>	<u>0.14</u>	<u>(0.01)</u>

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

(Unaudited but reviewed)

Pacific Pipe Public Company Limited and its subsidiaries

Statement of comprehensive income

For the six-month period ended 30 June 2014

(Unit: Thousand Baht, except earnings per share expressed in Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2014	2013	2014	2013
Profit or loss:					
Revenues					
Sales and service income	2	3,595,881	3,767,322	3,542,930	3,734,949
Dividend income	2	-	-	27,806	-
Other income		84,777	95,704	84,246	94,320
Total revenues		3,680,658	3,863,026	3,654,982	3,829,269
Expenses					
Cost of sales and services		3,251,981	3,357,915	3,228,533	3,355,855
Selling expenses		60,771	66,598	88,438	92,240
Administrative expenses		110,888	114,786	100,210	102,973
Exchange loss		573	35,641	562	35,641
Total expenses		3,424,213	3,574,940	3,417,743	3,586,709
Profit before finance cost					
and income tax expenses		256,445	288,086	237,239	242,560
Finance cost		(22,500)	(32,150)	(22,219)	(31,763)
Profit before income tax expenses		233,945	255,936	215,020	210,797
Income tax expenses	11	(46,748)	(47,916)	(37,537)	(38,863)
Profit for the period		187,197	208,020	177,483	171,934
Other comprehensive income for the period					
		-	-	-	-
Total comprehensive income for the period					
		187,197	208,020	177,483	171,934
Earnings per share					
Basic earnings per share					
Profit for the period	12	0.28	0.32	0.27	0.26

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

(Unaudited but reviewed)

Pacific Pipe Public Company Limited and its subsidiaries

Statement of changes in shareholders' equity

For the six-month period ended 30 June 2014

(Unit: Thousand Baht)

	Consolidated financial statements				
	Issued and fully paid-up share capital	Share premium	Surplus on treasury shares	Retained earnings	Total shareholders' equity
				Appropriated	Unappropriated
Balance as at 1 January 2013	660,000	514,845	1,011	67,000	764,576
Dividend paid (Note 13)	-	-	-	-	(164,999)
Total comprehensive income for the period	-	-	-	-	208,020
Balance as at 30 June 2013	660,000	514,845	1,011	67,000	807,597
Balance as at 1 January 2014	660,000	514,845	1,011	67,000	1,002,541
Dividend paid (Note 13)	-	-	-	-	(264,014)
Total comprehensive income for the period	-	-	-	-	187,197
Balance as at 30 June 2014	660,000	514,845	1,011	67,000	925,724

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

(Unaudited but reviewed)

Pacific Pipe Public Company Limited and its subsidiaries

Statement of changes in shareholders' equity (continued)

For the six-month period ended 30 June 2014

(Unit: Thousand Baht)

	Separate financial statements					
	Issued and		Surplus on	Retained earnings		Total
	fully paid-up					shareholders'
	share capital	Share premium	treasury shares	Appropriated	Unappropriated	equity
Balance as at 1 January 2013	660,000	514,845	1,011	67,000	618,886	1,861,742
Dividend paid (Note 13)	-	-	-	-	(164,999)	(164,999)
Total comprehensive income for the period	-	-	-	-	171,934	171,934
Balance as at 30 June 2013	660,000	514,845	1,011	67,000	625,821	1,868,677
Balance as at 1 January 2014	660,000	514,845	1,011	67,000	811,873	2,054,729
Dividend paid (Note 13)	-	-	-	-	(264,000)	(264,000)
Total comprehensive income for the period	-	-	-	-	177,483	177,483
Balance as at 30 June 2014	660,000	514,845	1,011	67,000	725,356	1,968,212

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

(Unaudited but reviewed)

Pacific Pipe Public Company Limited and its subsidiaries

Cash flow statement

For the six-month period ended 30 June 2014

(Unit: Thousand Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Cash flows from operating activities				
Profit before tax	233,945	255,936	215,020	210,797
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	49,428	53,675	45,650	50,100
Allowance for doubtful accounts (reversal)	147	(152)	112	(114)
Decrease of inventory to net realisable value (reversal)	(6,707)	33,983	(6,707)	33,983
Loss on write-off/disposals of equipment	7	21	6	12
Provision for long-term employee benefits	1,373	807	1,128	626
Unrealised loss on exchange	23	43,538	23	43,538
Dividend income	-	-	(27,806)	-
Interest income	(1,126)	(729)	(917)	(435)
Interest expenses	21,600	31,229	21,600	31,213
Profit from operating activities before changes in operating assets and liabilities	298,690	418,308	248,109	369,720
Operating assets (increase) decrease				
Trade and other receivables	(99,139)	(64,097)	(71,495)	(50,617)
Inventories	(8,095)	(221,210)	(27,800)	(208,650)
Advance for raw material	(134,956)	262,440	(134,956)	262,440
Other current assets	(13,357)	31,759	(13,276)	31,732
Operating liabilities increase (decrease)				
Trade and other payables	(79,713)	(18,416)	(75,951)	(15,868)
Other current liabilities	(14,923)	26,158	(16,001)	26,224
Cash flows from (used in) operating activities	(51,493)	434,942	(91,370)	414,981
Cash paid for interest expenses	(19,964)	(31,192)	(19,964)	(31,175)
Cash paid for corporate income tax	(41,602)	(44,116)	(32,711)	(34,593)
Net cash flows from (used in) operating activities	(113,059)	359,634	(144,045)	349,213

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

(Unaudited but reviewed)

Pacific Pipe Public Company Limited and its subsidiaries

Cash flow statement (continued)

For the six-month period ended 30 June 2014

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Cash flows from investing activities				
Acquisition of plant and equipment	(241,246)	(65,507)	(232,188)	(58,102)
Acquisition of intangible assets	(1,540)	(451)	(1,540)	(451)
Interest income	1,011	729	802	435
Proceeds from sales of equipment	-	20	-	20
Net cash flows used in investing activities	<u>(241,775)</u>	<u>(65,209)</u>	<u>(232,926)</u>	<u>(58,098)</u>
Cash flows from financing activities				
Increase (decrease) in short-term loans				
from financial institutions	700,744	(12,907)	700,744	(12,907)
Repayment of long-term loan from related party	-	(1,471)	-	-
Dividend paid	<u>(264,000)</u>	<u>(164,999)</u>	<u>(264,000)</u>	<u>(164,999)</u>
Net cash flows from (used in) financing activities	<u>436,744</u>	<u>(179,377)</u>	<u>436,744</u>	<u>(177,906)</u>
Net increase in cash and cash equivalents	81,910	115,048	59,773	113,209
Cash and cash equivalents at beginning of period	<u>297,646</u>	<u>287,435</u>	<u>194,661</u>	<u>160,240</u>
Cash and cash equivalents at end of period	<u>379,556</u>	<u>402,483</u>	<u>254,434</u>	<u>273,449</u>
	-		-	

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

Pacific Pipe Public Company Limited and its subsidiaries

Notes to consolidated interim financial statements

For the three-month and six-month period ended 30 June 2014

1. General information

1.1 Corporate information

Pacific Pipe Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. Its major shareholder is Tang Mong Seng Holding Company Limited, which was incorporated in Thailand. The Company is principally engaged in manufacturing and distribution of steel pipes for construction work. The registered office of the Company is at 298, 298/2, Soi Klabcharoen, Suksawat Road, Tambon Pakklongbangplakod, Amphur Phrasamutjedi, Samutprakarn.

1.2 Basis for the preparation of interim financial statements

These interim financial statements are prepared in accordance with Thai Accounting Standard No. 34 (revised 2012) "Interim Financial Reporting", with the Company choosing to present condensed interim financial statements. However, the Company has presented the statements of financial position, comprehensive income, changes in shareholders' equity, and cash flows in the same format as that used for the annual financial statements.

The interim financial statements are intended to provide information additional to that included in the latest annual financial statements. Accordingly, they focus on new activities, events and circumstances so as not to duplicate information previously reported. These interim financial statements should therefore be read in conjunction with the latest annual financial statements.

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

1.3 Basis of consolidation

The consolidated interim financial statements included the financial statements of the Company and its subsidiaries (“the Group”) and have been prepared on the same basis as that applied for the consolidated financial statements for the year ended 31 December 2013. There has been no change in the composition of the Group during the current period.

1.4 New accounting standards**(a) Accounting standards that became effective in the current accounting year**

The Company and its subsidiaries disclosed the accounting standards, financial reporting standards, accounting standard interpretations and financial reporting standard interpretations that are effective for fiscal years beginning on or after 1 January 2014, in the notes to financial statements for the year ended 31 December 2013.

The Company and its subsidiaries' management have assessed the effects of the above accounting standards, financial reporting standards, accounting standard interpretations and financial reporting standard interpretations, and believe that they are not relevant to the business of the Company and its subsidiaries or do not have any significant impact on the financial statements for the year when they are initially applied.

(b) Accounting standards that will become effective in the future

The Company and its subsidiaries have disclosed the financial reporting standard that will be effective in the future in the notes to financial statements for the year ended 31 December 2013.

The Company and its subsidiaries' management have assessed the effect of this financial reporting standard and believe that it is not relevant to the business of the Company and its subsidiaries.

1.5 Significant accounting policies

The interim financial statements are prepared using the same accounting policies and methods of computation as were used for the financial statements for the year ended 31 December 2013.

2. Related party transactions

The followings are relationships between the Company and related parties.

Name of entities	Nature of relationships
Tang Mong Seng Holding Company Limited	Major shareholder, 39.05% shareholding
Tamose Trading Company Limited	Subsidiary, 99.94% shareholding, all directors are representatives of the Company
Meesup Transport Company Limited	Subsidiary, 99.97% shareholding, all directors are representatives of the Company
Key management personnel	Persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the Group.

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

(Unit: Million Baht)

	For the three-month periods ended 30 June				
	Consolidated		Separate		
	financial statements		financial statements		Transfer Pricing Policy
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	
<u>Transactions with subsidiary companies</u>					
(eliminated from the consolidated financial statements)					
Sales of goods	-	-	860.1	885.6	Reference to market price
Rental income	-	-	0.1	0.1	Contract price
Service income	-	-	0.2	0.2	Contract price
Commission paid	-	-	19.6	18.6	Contract price
Transportation expenses	-	-	21.4	20.5	Reference to market price
<u>Transactions with related party</u>					
Interest expenses	1.3	0.8	1.3	0.7	MLR – 1.5 per annum
Office rental and service expenses	0.8	0.8	-	-	Contract price
<u>Transaction with related persons</u>					
Land rental	0.9	0.8	0.9	0.8	Contract price

(Unit: Million Baht)

	For the six-month periods ended 30 June				
	Consolidated		Separate		
	financial statements		financial statements		Transfer Pricing Policy
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	
<u>Transactions with subsidiary companies</u>					
(eliminated from the consolidated financial statements)					
Sales of goods	-	-	1,616.3	1,779.7	Reference to market price
Rental income	-	-	0.3	0.3	Contract price
Service income	-	-	0.4	0.4	Contract price
Commission paid	-	-	36.3	37.2	Contract price
Transportation expenses	-	-	43.2	42.1	Reference to market price
<u>Transactions with related party</u>					
Interest expenses	2.6	1.6	2.6	1.5	MLR – 1.5 per annum
Office rental and service expenses	1.6	1.6	-	-	Contract price
<u>Transaction with related persons</u>					
Land rental	1.8	1.6	1.8	1.6	Contract price

(Unaudited but reviewed)

The balances of the accounts as at 30 June 2014 and 31 December 2013 between the Company and those related parties are as follows:

		(Unit: Thousand Baht)			
		Consolidated financial statements		Separate financial statements	
		30 June 2014	31 December 2013	30 June 2014	31 December 2013
<u>Trade receivables - related parties (Note 3)</u>					
Tamose Trading Company Limited		-	-	235,947	168,575
Total trade receivables - related parties		-	-	235,947	168,575
<u>Other receivables - related parties (Note 3)</u>					
Tamose Trading Company Limited		-	-	20,360	-
Meesup Transport Company Limited		-	-	7,877	-
Total other receivables - related parties		-	-	28,237	-
<u>Other payables - related parties (Note 9)</u>					
Tamose Trading Company Limited		-	-	12,969	11,711
Meesup Transport Company Limited		-	-	3,698	2,806
Directors		1,750	-	1,750	-
Total other payables - related parties		1,750	-	18,417	14,517

Loans from related party

The balances of long-term loan from related company as at 30 June 2014 and 31 December 2013 and the movement are as follows:

		(Unit: Thousand Baht)			
		Consolidated financial statements / Separate financial statements			
Long-term loan	Related by	Balance as at 31 December 2013	Movement during the period		Balance as at 30 June 2014
			Increase	Decrease	
Tang Mong Seng Holding Company Limited	Major shareholder	100,000	-	-	100,000

Long-term loan represents loan that the Company has borrowed from Tang Mong Seng Holding Company Limited, carrying interest at a rate of MLR - 1.5 percent per annum (MLR of a commercial bank). This loan is unsecured and due for repayment in July 2018.

Dividend income

During the current quarter, the Company recognised dividend income from Tamose Trading Company Limited and Meesup Transport Company Limited of Baht 20.0 million and Baht 7.8 million, respectively, in the separate financial statements.

Directors and management's benefits

During the six-month periods ended 30 June 2014 and 2013, the Company and its subsidiaries had employee benefit expenses payable to their directors and management as below.

	Consolidated		(Unit: Thousand Baht)	
	financial statements		Separate	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Short-term employee benefits	18,335	16,433	15,872	13,970
Post-employment benefits	1,234	559	1,040	512
Total	<u>19,569</u>	<u>16,992</u>	<u>16,912</u>	<u>14,482</u>

Guarantee obligations with related party

The Company has outstanding guarantee obligations with its related party, as described in Note 14.4 to the financial statements.

3. Trade and other receivables

(Unit: Thousand Baht)				
	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
<u>Trade receivable - related party</u>				
Aged on the basis of due dates				
Not yet due	-	-	222,010	137,716
Past due				
Up to 3 months	-	-	13,937	30,859
Total trade receivable - related party (Note 2)	-	-	235,947	168,575
<u>Trade receivables - unrelated parties</u>				
Aged on the basis of due dates				
Not yet due	519,523	406,621	275,228	244,937
Past due				
Up to 3 months	172,035	191,119	108,963	137,567
3 - 6 months	5,043	-	1,952	-
6 - 12 months	-	-	46	-
Over 12 months	23,674	23,418	7,472	7,487
Total	720,275	621,158	393,661	389,991
Less: Allowance for doubtful debts	(23,251)	(23,104)	(7,537)	(7,425)
Total trade receivables - unrelated parties, net	697,024	598,054	386,124	382,566
Total trade receivables - net	697,024	598,054	622,071	551,141
<u>Other receivables</u>				
Other receivables - related parties (Note 2)	-	-	28,237	-
Total trade and other receivables - net	697,024	598,054	650,308	551,141

4. Inventories

Movements in the reduced cost of inventory to net realisable value account during the six-month period ended 30 June 2014 are summarised below.

	(Unit: Thousand Baht) Consolidated / Separate financial statements
Balance as at 1 January 2014	15,036
Less: reduction costs during the period	(6,707)
Balance as at 30 June 2014	<u>8,329</u>

5. Advance for raw material

	(Unit: Thousand Baht) Consolidated / Separate financial statements	
	30 June 2014	31 December 2013
Advance for raw material	168,911	33,955
Less: Allowance for impairment	(18,000)	(18,000)
	<u>150,911</u>	<u>15,955</u>

The advance payment for raw materials as at 30 June 2014 included the advance cash payment of Baht 26 million (31 December 2013: Baht 29 million) to purchase raw materials from a supplier. However, the supplier was unable to deliver the raw materials to the Company during the year 2011. Subsequently, the Company negotiated a revised delivery schedule but the supplier failed to meet the schedule again and stopped delivering the goods to the Company from June 2012 onwards. However, the Company has already set up allowance for impairment of Baht 18 million into accounts.

From the causes above, the supplier negotiated with the Company how to settle the advance for raw materials. In April 2013, the Company and the supplier entered into a settlement agreement to repayment the outstanding within 3 years. The Company's management does not expect to incur losses in excess of the impairment loss as recorded in the financial statements.

6. Property, plant and equipment

Movements of the property, plant and equipment account during the six-month period ended 30 June 2014 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
Net book value as at 1 January 2014	1,108,782	1,069,890
Acquisitions during the period - at cost	241,246	232,188
Write-off during the period - net book value at write-off date	(7)	(6)
Depreciation for the period	(47,208)	(43,438)
Net book value as at 30 June 2014	1,302,813	1,258,634

7. Short-term loans from financial institutions

	(Unit: Thousand Baht)		
	Interest rate (Percent per annum)	Consolidated / Separate financial statements	
		30 June 2014	31 December 2013
Short-term loans from financial institutions	3.06 - 3.44	1,515,421	757,858
Trust receipt	2.11	10,839	67,659
		1,526,260	825,517

The credit facilities agreement of the Company contain covenants that, among other things, required the Company to be restricted on the disposal of its assets or the creation of lien thereon without prior consent from banks, the maintenance of certain debt to equity and debt service coverage ratios according to the agreement.

8. Long-term credit facilities

In 2013, the Company entered into a long-term loan agreement with a commercial bank. The long-term credit facility is Baht 650 million. As at 30 June 2014, the Company has not yet drawn down this long-term loan.

The long-term loan agreement of the Company contains covenants that, among other things, required the Company to be restricted on the disposal of its assets or the creation of lien thereon without prior consent from banks, the maintenance of certain debt to equity and debt service coverage ratios according to the agreement.

9. Trade and other payables

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
Trade payables - unrelated parties	34,315	103,469	32,023	101,896
Other payables - related parties (Note 2)	1,750	-	18,417	14,517
Other payables - unrelated parties	49,679	43,189	47,547	40,280
Accrued expenses	31,424	48,573	25,292	40,901
Total trade and other payables	117,168	195,231	123,279	197,594

10. Provision for long-term employee benefits

	(Unit: Thousand Baht)	
	Consolidated	Separate
	financial statements	financial statements
Balance as at 1 January 2014	20,564	16,318
Add: Recognition during the period	1,373	1,128
Balance as at 30 June 2014	21,937	17,446

11. Income tax

Interim corporate income tax was calculated on profit before income tax for the period, after adding back expenses and deducting income which are disallowable for tax computation purpose, using the estimated effective tax rate for the year.

Income tax expenses for the three-month and six-month periods ended 30 June 2014 and 2013 are made up as follows:

	(Unit: Thousand Baht)			
	For the three-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current income tax:				
Interim corporate income tax charge	19,214	1,147	14,410	(3,132)
Deferred tax:				
Relating to origination and reversal of temporary differences	1,088	(3,023)	1,102	(3,012)
Income tax expenses reported in the statements of comprehensive income	20,302	(1,876)	15,512	(6,144)

(Unit: Thousand Baht)

	For the six-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current income tax:				
Interim corporate income tax charge	43,295	52,114	34,028	43,033
Deferred tax:				
Relating to origination and reversal of temporary differences	3,453	(4,198)	3,509	(4,170)
Income tax expenses reported in the statements of comprehensive income	<u>46,748</u>	<u>47,916</u>	<u>37,537</u>	<u>38,863</u>

12. Basic earnings per share

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

13. Dividends

Dividends	Approved by	Total dividends (Million Baht)	Dividend per share (Baht/share)
Final dividends for 2012	Annual General Meeting of the shareholders on 23 April 2013	165.0	0.25
Total for 2013		<u>165.0</u>	<u>0.25</u>
Final dividends for 2013	Annual General Meeting of the shareholders on 24 April 2014	264.0	0.40
Total for 2014		<u>264.0</u>	<u>0.40</u>

14. Commitments and contingent liabilities**14.1 Capital commitments**

As at 30 June 2014, the Company had capital commitments of approximately EUR 1.2 million, USD 0.1 million and Baht 63.9 million, relating to purchases of machinery and construction of new plant (31 December 2013: EUR 1.5 million, USD 0.8 million and Baht 20.8 million).

14.2 Letters of credit

The Company and its subsidiaries had commitments under letters of credit with overseas suppliers amounting to approximately USD 2.7 million and EUR 0.2 million (31 December 2013: USD 0.1 million and EUR 1.3 million).

14.3 Operating lease commitments

The Company and its subsidiaries had entered into several lease agreements in respect of the lease of land and motor vehicles with related parties and other companies. The terms of the agreements were generally between 3 and 10 years.

The Company and its subsidiaries have future minimum lease payments required under these non-cancellable operating leases contracts as follows:

(Unit: Million Baht)

	Consolidated financial statements			
	Related parties		Unrelated parties	
	30 June	31 December	30 June	31 December
	2014	2013	2014	2013
Payable:				
In up to 1 year	6.8	6.9	2.9	1.9
In over 1 and up to 2 years	4.6	6.0	0.2	1.1

(Unit: Million Baht)

	Separated financial statements			
	Related parties		Unrelated parties	
	30 June	31 December	30 June	31 December
	2014	2013	2014	2013
Payable:				
In up to 1 year	2.3	3.0	2.8	1.9
In over 1 and up to 2 years	-	1.0	0.2	1.1

14.4 Guarantees

- (1) As at 30 June 2014, there were outstanding bank guarantees of approximately Baht 71 million (31 December 2013: Baht 50 million) issued by banks on behalf of the Company in respect of certain performance bonds as required in the normal course of its business. These included letters of guarantee amounting to Baht 58 million (31 December 2013: Baht 37 million) to guarantee payments due to Customs Department, Baht 12 million (31 December 2013: Baht 12 million) to guarantee electricity use and Baht 1 million (31 December 2013: Baht 1 million) to guarantee as a Gold Card importer and exporter to the Customs Department.
- (2) The Company guarantees credit card facility of its subsidiary company amounting to Baht 1 million (31 December 2013: Baht 1 million).

15. Segment information

The one main reportable operating segment of the Company and its subsidiaries is the manufacture and distribution of steel pipes for construction work for both domestic and export markets and the single geographical area of their operations is Thailand. Segment performance is measured based on operating profit or loss, on a basis consistent with that used to measure operating profit or loss in the financial statements. As a result, all of the revenues, operating profits and assets as reflected in these financial statements pertain to the aforementioned reportable operating segment and geographical area.

For the three-month and six-month periods ended 30 June 2014, export sales of the Company and its subsidiaries represented approximately 2.6 and 2.6 percent (30 June 2013: 3.1 and 2.3 percent) of total sales. The export sales of the Company only for the three-month and six-month periods then ended represented approximately 2.5 and 2.6 percent (30 June 2013: 3.1 and 2.2 percent) of the Company's sales.

16. Foreign currency risk

As at 30 June 2014 and 31 December 2013, the Company has financial assets and financial liabilities denominated in foreign currency which mature within one year as follows:

Foreign currency	Financial assets		Financial liabilities		Average exchange rate	
	30 June	31 December	30 June	31 December	30 June	31 December
	2014	2013	2014	2013	2014	2013
	(Million)	(Million)	(Million)	(Million)	(Baht per 1 foreign currency unit)	
US dollar	1.1	1.3	0.3	1.6	32.4091	32.7645
EUR	-	-	-	0.4	44.2153	44.9602

The outstanding of forward exchange contracts are summarised below.

As at 30 June 2014					
Foreign currency	Bought amount	Sold amount	Contractual exchange rate		Contractual maturity date
			Bought	Sold	
	(Million)	(Million)	(Baht per 1 foreign currency unit)		
US dollar	0.5	-	33.18	-	17 July 2014

17. Approval of interim financial statements

These interim financial statements were authorised for issue by the Company's Board of Directors on 8 August 2014.