



MILL 037/2014

7 November 2014

Subject Explanation on the acquisition of assets of Thai Special Steel Industry Public Company Limited (“TSSI”)

To Director and Managing Director  
Stock Exchange of Thailand

According to resolution of extra-ordinary shareholder meeting no. 1/2011 unanimously resolved on the acquisition of TSSI's assets which are machinery for manufacturing wire rod, land and construction located thereon. Then the ordinary shareholder meeting no. 1/2013 held on 21<sup>st</sup> May 2013 unanimously resolved on revising of the method to acquire the assets and/or details of assets for the appropriate with situation which might invest in a subsidiary or Joint Venture or any other method the Board of Director see appropriated for the achievement of asset acquisition. And the ordinary shareholder meeting no. 1/2014 held on 28<sup>th</sup> April 2014 unanimously resolved on assigning the power to board of directors having authority to determine investment budget to invest in TSSI Project as appropriate and suitable for the achievement of asset acquisition. In this regards, the determination of investment budget of the board of director shall be subject to regulation of stock exchange of Thailand (“SET”) and office of the Securities and Exchange Commission (“SEC”) on acquisition and sale of listed company's assets.

The said transaction shall be deemed as the acquisition or sale the asset and announcement of capital stock exchange of Thailand commission on the disclosure information and the performance of listed company on acquisition or sale the assets B.E. 2547. The details of transactions are as follows:

1) **Date Month Year of transaction**

According to resolution of extra-ordinary shareholder meeting no. 1/2011 unanimously resolved on the acquisition of TSSI's assets which are machinery for manufacturing wire rod, land and construction located thereon. The company has auction the TSSI's assets from legal execution department, Rayong Province on 25 September 2014 and bought TSSI's ordinary shares total of 55,000,000 shares from Bangkok Bank Plc.

2) **Related Party and relationship with the listed company**

2.1 Category of asset which are Machinery Land and Construction of TSSI

Purchaser: Millcon Steel Plc.

Seller: Thai Special Steel Industry which has been sold by the auction ordered by court at  
Rayong legal execution office.

Relationship with listed company: The Seller and Purchaser did not involve each other.

2.2 Category of asset which is ordinary shares of TSSI



Purchaser: Millcon Steel Plc.

Seller: Bangkok Bank Plc.

Relationship with listed company: The Seller and Purchaser did not involve each other.

### 3) General characteristics of transaction and size of transaction

#### 3.1 General type of transaction

##### 3.1.1 Assets of TSSI which was purchased from auction which are:

- 1) Land
- 2) 5 Construction which are office building, factory building, room for controlling weigh, keeper's box and one-floor building.
- 3) 91 Machineries according to auction announcement of execution officer.

The said assets located at Banlang-Natakhwan Road, Banlang Sub-District, Muang Rayong District, Rayong Province.

##### 3.1.2 Ordinary Shares of TSSI total of 55,000,000 shares.

TSSI's Project value total of 3,120 million baht which is net value and included all procedure on the acquisition of TSSI's assets which this value included value of holding right of claim against TSSI's asset and the value of improving machinery in order to produce the wire rod in a commercial terms.

#### 3.2 Calculation of transaction size

The said transaction size deem asset acquisition according to announcement of capital market commission no. tor jor 20/2008 subject rule of making significant transaction which shall be deemed acquisition or sale the assets and announcement of committee of stock and exchange of Thailand subject the disclosure information and the performance of listed company on acquisition or sale the assets B.E. 2547 which calculated the transaction size of assets acquisition as following:

- 1) Rule of assets acquisition value having transaction size - Nil-  
Because NTA of TSSI be indebt and total liabilities more than total assets.
- 2) Rule of net profit for the performance –Nil-  
Because the financial statement both of TSSI and Millcon Steel Plc for the past 12 months is loss
- 3) Rule of total consideration value having transaction size in equivalent to 30.00%
- 4) Rule of registered security value issuing for compensation of acquisition assets –Nil-  
Because the company has not issued the new security for the settlement of acquisition assets.



*\* Remark 1) Information of TSSI's financial statement bring from financial statement as of 31 December 2012 which is the latest one and has already been audited by the auditor and sent to ministry of commerce. In this regards, we did not calculate by using the information of TSSI's financial statement for 2013 because it did not sent to ministry of commerce.*

*2) Information of Millcon Steel's financial statement bring from 6 months financial statement as of 30 June 2012 which is the latest one and it is the base for calculation.*

When calculating according to rule of acquisition assets will have ration of maximum transaction size at the rate of 30.00% according to rule of total consideration value which subject to regulation of stock exchange of Thailand ("SET") and office of the Securities and Exchange Commission ("SEC") on acquisition and sale of listed company's assets and according to resolution of annual shareholder meeting no. 1/2014. The calculation of transaction size having size more than 15% but less than 50% so it is required to report to stock exchange and send the letter of information circular to shareholders within 21 days commencing from the day which disclosing information to stock exchange of Thailand.

#### 4) Details of purchased assets

TSSI's assets have been auction by the company are land, construction 5 items which are office building, factory building, room for controlling weigh, keeper's box and one-floor building and machineries total of 91 items for manufacturing wire rod. The said assets have been taken care and maintained for the normal usage of manufacturing wire rod by TSSI. After the auction, the company has a plan to develop the machineries for manufacturing wire rod and special wire rod which TSSI having production capacity total of 500,000 ton per year. The company forecast to produce wire rod form TSSI's assets by 2015 onwards subject to manage by its subsidiary or joint venture company.

In addition, the company has bought TSSI's ordinary shares total 55,000,000 shares buying 4 baht per shares, equivalent to 13.03% from Bangkok Bank Plc which was a one of condition of financial amount for purchasing TSSI's asset. In this regards, this transaction did not cause the other liability against company and its affiliate unless the investment amount for TSSI's shares. The company did not involve the management or be a board of director of TSSI.

#### 4.1 Business information of Thailand Special Steel Industry Plc.

Thai Special Steel Industry Plc was incorporated to be a public company on 17 October 1995 and carry on business about manufacturing wire rod. Presently, the company having its fully paid registered capital in the amount of 4,220,000,000 baht, dividing to be ordinary shares total of 422,000,000 shares, having par value of 10 baht per shares. The head office located at 26/56 TPI Building, 19 Floor, Jan Tad Mai Road, Tungmahamek Sub-District, Sathorn District, Bangkok and factory located at 119, Moo 1, TPI Industrial Estate Soi 1, Banlang-Natakhwan Road, Banlang Sub-District, Muang Rayong District, Rayong Province.



## 4.2 Board of Directors

Board of Directors of TSSI on 27 October 2014 (After Share Acquisition)

1. Prachai Leophairatana
2. Prateep Leophairatana
3. Pramual Leophairatana
4. Prayad Leophairatana
5. Malinee Leophairatana
6. Somkuan Boonyamanon
7. Anurat Kongthoranin
8. Somsak Leeswadtrakul
9. Pakkaporn Leophairatana

## 4.3 Major Shareholders Structure of TSSI both prior and after the acquisition.

List	Prior to Share Acquisition			After Share Acquisition		
	Shareholder	Share	%	Shareholder	Share	%
1	TPI Polene Public Co., Ltd	124,620,000	29.53	TPI Polene Public Co., Ltd.	124,620,000	29.53
2	IRPC Public PLC	68,550,000	16.24	IRPC Public PLC	68,550,000	16.24
3	Bangkok Bank PLC	55,000,000	13.03	Millcon Steel PLC	55,000,000	13.03
4	KRUPP KOPPERS GMBH	51,300,000	12.16	KRUPP KOPPERS GMBH	51,300,000	12.16
5	Sangtep Thai Co., Ltd.	23,929,050	5.67	Sangtep Thai Co., Ltd.	23,929,050	5.67
6	Others	98,600,950	23.37	Others	98,600,950	23.37
Total Share		422,000,000	100	Total Share	422,000,000	100

There was no the related person of company hold shares in TSSI.

## 4.4 Summarized financial statement and performance of TSSI as of 31 December 2013.

(Unit : Million Baht)

(Unit : Million Baht)	2012 Year
Current Asset	260.34
Non-Current Asset	4,128.60
Total Assets	4,388.94
Current Liabilities	5,957.41
Non-Current Liabilities	120.93
Total Liabilities	6,078.34
Registered paid capital	4,220.00
Total shareholders' equity	(1,689.40)
Total income	124.32



Total expenses	142.42
Profit (Loss) before EBITDA	(18.10)
Net Profit (Loss)	(353.67)

5) Forecast benefit of the company

- Build business expansion opportunities and contribute to business operations of the group of companies. Group of companies can use products from Green Mill Project i.e. long steel bar of special grade, as raw material in production of wire rod of special grade. Group of companies have expected such products to enhance profitability and better respond to customer's demand.
- Boost production of long steel bar of special grade.
- Enhance competitive potential of the group of the companies.
- Be investment in assets ready for operations. The group of companies can then realize operating results more quickly than setting up a new factory.
- Be appropriate investment option and having lower cost than setting a new factory.
- Group of companies expected that this investment shall make the group of companies have advantage on cost of special- wire rod than other importer.
- Relieve risks for overall operations of the group of companies as wire rod is normally less exposed to volatility than steel bar.

6) Source of fund

The source of fund of the Company in order acquisition of TSSI's assets are increasing registered capital whereby issuing and offering Type C Preference Shares total of 344,827,586 shares which is money for increasing registered capital after deduct expense total of 699,859,999.58 Baht and the remaining came from loan from financial institution.

7) Approval from shareholders meeting

According to resolution of extra-ordinary shareholder meeting no. 1/2011 unanimously resolved on the acquisition of TSSI's assets which are machinery for manufacturing wire rod, land and construction located thereon. Then the ordinary shareholder meeting no. 1/2013 held on 21<sup>st</sup> May 2013 unanimously resolved on revising of the method to acquire the assets and/or details of assets for the appropriate with situation which might invest in a subsidiary or Joint Venture or any other method the Board of Director see appropriated for the achievement of asset acquisition. And the ordinary shareholder meeting no. 1/2014 held on 28<sup>th</sup> April 2014 unanimously resolved on assigning the power to board of directors having authority to determine investment budget to invest in TSSI Project as appropriate and suitable for the achievement of asset acquisition. In this regards, the determination of investment budget of the board of director shall be subject to regulation of stock exchange of Thailand ("SET") and office of the Securities and Exchange Commission ("SEC") on acquisition and sale of listed company's assets.



8) Opinion of Board of Director on entering into transaction.

The board of director's view that the purchase of TSSI's asset as aforesaid mention is support for contribute to business operations of the group of companies. Group of companies can sue products from Green Mill Project i.e. long steel bar of special grade, as raw material in production of wire rod of special grade and expansion its customer to other industry i.e. car production, machinery which will make more business capacity and business opportunity to the company.

9) Opinion of audit committee and/or director which different from opinion of board of director as stated above in clause 8.

-Nil-

Forwarded for your information

Your faithfully

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(Mrs. Phatnaree Thitiariyakul)

Director