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## Message from the Chairman

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The Thai economy should grow similar to that of the beginning of the first quarter of the year. The Thai economy looks good. But had to face the problem of trade war between China and America, causing the Thai economy to slow down. Together with Thailand being one of China's supply chains, as China was affected, exports decreased. This causes the Thai exports to decrease as well. However the tourism sector is still good. The target of 2019 was approximately 40 million tourists expected. But the Covid-19 in Wuhan, Hubei province, caused the global economic downturn in the first quarter of 2020. Tourism sector as well as the global stock market have plummeted like never before. The world economy only collapsed, only waiting Covid-19 to end.

The impact of the aforementioned impacts on Thailand's GDP was that the Thai GDP will decrease by 0.8%, resulting from the forecast of tourists to fall by 36% and 13% in the first and second quarter respectively. The problem of drought will also affect agriculture. This causes this year's economic growth to be fall behind significantly.

Considering a serious impact on the Thai economy, which can be seen from the stock market index that shows the fastest drop about 40% during the first quarter, the businesses including ours have to be able to sustain by ourselves. For the steel industry, likewise, is affected by the global market and the Thai economy. Nevertheless the Thai government's mega project, EEC, high-speed train Utapao Airport are the remaining hopes for the steel industry to see some light at the end of the tunnel. The Board of Directors is aware of this problem. We are working very hard in supporting the raw materials to be used in this.



*Mr. Thongchai Leekanchanakorn*

Chairman of the Board of Directors

**Samchai Steel Industries Public Company Limited**

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## Report of the Audit Committee

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SAM's Audit Committee was appointed by The Board of Directors, consists of 3 independent directors including Mr.Pornchai Kittipanya-ngam is Chairman of the Audit Committee, Mr. Chatchawan Siriwtiset and Mr. Prichar Harnhathya are Audit Committee. None of the Audit Committees holds the management position in the company nor is the company's employee. The Audit Committee's scope of duties and responsibilities are in accordance to the rules and regulations stipulate by the Stock Exchange of Thailand.

In 2019, The Audit Committee held four meetings, meeting with the auditors. There was no management attendance at the meeting, and attended the meeting with the Board of Directors on a regular basis. The summary of the Audit Committee's performance can be summarized as follows:

1. Reviewed the quarterly and annual financial statements which have been audited by the auditor to ensure that the financial statements are prepared in compliance with GAPP and has adequately disclosed accurate information.
2. Stipulated annual internal auditor plan and reviewed the internal auditor's quarterly reports and give opinions and recommendations to management to approve the operation of the company.
3. Reviewed and commented on related transactions with possible conflict of interest to ensure that the disclosure is in compliance with the rules and regulation prescribed by the Stock Exchange of Thailand.
4. Reviewed company's practices to complies with the securities and exchange act, the Stock Exchange of Thailand (SET)'s regulations and other laws relating to company's business.
5. Considered and select Office of DIA international Auditing as the company's auditor for 2017 and considered their remunerations to proposed to the shareholders meeting for approval.

The Audit Committee would like to report that the company has good corporate governance and an efficient internal control system. Last year, there was no significant inaccuracy. The Audit Committee will continue to develop the company's internal control system to ensure good corporate governance.



*Mr.Pornchai Kittipanya-ngam*

Chairman of Audit Committee

**Samchai Steel Industries Public Company Limited**

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## Listed Company Information

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### Company Information

Company Name	: Samchai Steel Industries PCL.
Registration Number	: 0107547000249
Nature of Core Business	: Manufacture and distribute steel pipes for the use in construction and furniture industries.
Issued and paid-up capital	Baht 1,045,125,093 divided to 1,045,125,093 common shares at par value Baht 1.- each.
Head Office Address	: 75/14, 75/17, 85 Moo 5, Soi Wat Sopanaram, Ekkachai Rd., A. Muang, Samutsakorn 74000 Tel: (034) 833891-3 Fax: (034) 833894-5
Branch Address	: 56-56/1 Moo 2 Poochosamingprai Rd., T. Bang Ya Phraek, A. Phra Pradaeng, Samutprakan 10130 Tel: (02) 384-0099 Fax: (02) 384-2384-5
Website	: <a href="http://www.samchaisteel.com">www.samchaisteel.com</a>

### Details of Subsidiaries

Company Name	: Steel Hub Co., Ltd.
Registration Number	: 0745557002069
Nature of Core Business	: To produce and distribute Black Steel Pipe and Lip channel Steel
Issued and paid-up capital	6,000,000 USD. Samchai Steel Industries PCL holds 100 percent.
Head Office Address	: Sanco Special Economic Zone , Banteaymeanchey Province , Cambodia
Company Director	: Mr.Varoonchai Leekanchanakorn

### References

Share Registrar	: Thailand Securities Depository Company Limited 62 Rachadapisek Rd., Klongtoey, Bangkok 10110 Tel: (02) 229-2800 or (02) 654-5599 Fax: (02) 359-1259
Auditor	: Miss Suphaphorn Mangjit Certified Public Accountant Registration No. 8125 Office of DIA international Auditing 316/32 Soi Sukhumvit 22 Sukhumvit Road, Klongtoey, Bangkok. Tel: (02) 259-5300 Fax: (02) 260-1553

## Summary of Financial Status

Unit: THB Million

From the Financial Statements	Separate Financial Statements			Consolidates Financial Statements		
	2017	2018	2019	2017	2018	2019
Total Assets	3,803.38	3,747.96	3,752.66	3,800.25	3,734.61	3,791.04
Total Liabilities	1,800.56	1,831.22	2,077.21	1,800.68	1,834.31	2,083.44
Shareholders. Equity	2,002.82	1,916.74	1,675.44	1,999.57	1,900.29	1,707.60
Income from Sales	2,701.31	3,486.62	3,571.06	2,694.07	3,223.72	3,679.36
Other Income	9.18	0.96	14.77	9.61	0.96	14.77
Total Revenue	2,710.87	3,487.58	3,585.83	2,703.68	3,224.68	3,694.13
Gross Profit	132.48	137.13	28.03	132.47	121.80	(9.7)
Net Income	(77.82)	(86.07)	(238.79)	(79.29)	(98.76)	(186.07)

From the Financial Statements	Separate Financial Statements			Consolidates Financial Statements		
	2017	2018	2019	2017	2018	2019
Total Assets	0.89	0.82	0.77	0.88	0.80	0.75
Total Liabilities	0.32	0.52	0.46	0.31	0.38	0.40
Shareholders.Equity	0.90	0.96	1.24	0.90	0.97	1.22
Income from Sales	(2.88)	(2.47)	(6.68)	(2.94)	(3.08)	(5.06)
Other Income	(3.89)	(4.49)	(14.25)	(3.96)	(5.22)	(10.89)
Total Revenue	(2.05)	(2.30)	(6.36)	(2.08)	(2.66)	(4.91)
Gross Profit	(0.07)	(0.08)	(0.23)	(0.08)	(0.09)	(0.18)
Net Income	1.91	1.77	1.60	1.91	1.75	1.63

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## Characteristics of Business Undertakings

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Samchai Steel Industries Public Company Limited operates its core business in the Steel Pipe industry. The company manufactures and distributes steel pipes for the use in construction and furniture industries. The company's products consist of structural steel including Black Round Steel Pipe, Square and Rectangular Black Steel Pipe, Painted-Steel Pipes, High-Pressure Steel Pipe and C-Channel Structural Steel. Moreover, the company also manufactures Galvanized Steel Pipes, Tube for furniture purposes and Black Hot Rolled Steel Plates and Sheets under SAMCHAI, SSH, TUBULARGE, TUS and USC trademarks.

The company's major customers of steel pipes are in construction and furniture industries. Currently, there are more than 2,000 sale points in Bangkok and Metropolitan area where the products have been distributed by local distributors. The company also uses foreign distributors for the distribution outside Thailand.

Since the company's products are used in construction works and in the production of furniture products, quality and standard of our Steel Pipes are very important. We put a strong emphasize on the production efficiency. The company employs the quality management system in both production control and operation management processes to ensure that our customers will receive only products with the finest quality and standard. The company has received ISO 9001:2015 from SGS (Thailand) Limited.

Moreover, our products also conform to both Thai and International quality standard including the British Standard [BS], the German Standard [DIN], the Japanese Standard [JIS], the American Standard [ASTM], the Australian Standard [AS], and the Thai Industry Standard [TIS], and The Other Standard, include the company's appointed commercial standard.

In 2019, the Company has 2 factories. Details are as follows:

The first factory	is located at 75/14, 75/17, 85 Moo 5, Soi Wat Sopanaram, Ekkachai Rd., A.Muang, Samutsakhon province. The plant was annual production capacity of 246,000 tons.
The second factory	is located at 56-56/1 Moo 2 Poochosamingprai Rd., T. Bang Yaphraek, A.Phra Pradaeng, Samutprakan province. The plant was annual production capacity of 130,000 tons.

## Revenue Structure

Sources of Revenue	2017		2018		2019	
	THB Million	%	THB Million	%	THB Million	%
Sale Revenue						
- Black Steel Pipe	774.50	28.57	870.54	24.97	505.65	14.10
- Galvanized Steel	888.75	32.78	635.52	18.22	362.59	10.11
- Furniture Steel Pipe	4.20	0.15	1.30	0.04	1.82	0.05
- Black Steel Sheet	0.00	0.00	0.05	0.00	0.02	0.00
Total Goods Sale Revenue	1,667.45	61.51			870.08	24.26
Others Sale Revenue						
- Raw Material	39.90	1.47	401.04	11.50	388.50	10.83
- Trading	894.88	33.01	1,462.30	41.94	2270.86	63.33
- Scrap, Zinc Dross & Steel Pipe Grade B and C	90.75	3.35	103.93	2.98	36.40	1.02
- Others	8.36	0.31	11.02	0.32	5.23	0.15
Total Sale Revenue	2,701.31	99.64	3,486.62	99.97	3571.07	99.59
Other Incomes*	9.62	0.36	0.96	0.03	14.77	0.41
<b>Total Revenue</b>	<b>2,710.93</b>	<b>100.00</b>	<b>3,487.58</b>	<b>100.00</b>	<b>3,585.84</b>	<b>100.00</b>

Remark\* Others income Include transportation revenue, production remuneration, Profit from sale of investments, Interest Receive, Miscellaneous Income and Gain on exchange rate,

## Change for the last year

### 1. Marketing

#### 1.1) Sales strategic

Due to the dispute with the Customs Department in 2016, which has resulted in the sales of 2017 onwards to decrease significantly, the strategy of the year 2019 is to call for the confidence of customers to return to trade with us. We are in the period of recovery. We have prepared our sales teams to lower our selling price to get the orders from our customers.

#### 1.2) Strategic Product

In the year 2019, the company has added stricter product inspection system, in order to meet the customers who need higher quality products.

### 2. Purchasing of Raw Material

As the government continues to use anti-dumping measures (Anti-Dumping) and safeguard measures from the introduction of increased products (Safe Guard) in hot rolled steel products, which are steel raw materials, there are only three steel coil producers in the country, resulting in the insufficient hot-rolled steel sheets for the pipe mills factories. Therefore we need to manage production planning and raw material ordering in advance, in order to manage sufficient raw materials for our production system.

### 3. Industrial Trend and Competition

For the steel industry in 2019, there will be more investment to build basic public utility systems, such as electric vehicles, double track trains, high-speed trains connecting various provinces. This results in increase in iron consumption. However, the private sector work has

declined, due to the economic downturn and decrease in GDP and foreign investment. This causes the construction work to be concentrated in a large contractor only, with a handful of jobs are directly assigned to the government. Revenues of medium to small contractors therefore decreased. In conclusion, the overall demand for the construction industry throughout the country is still not good.

The trend of the steel industry in 2020 is expected to be affected by the COVID-19 outbreak causing foreign investment to decrease. The tourism sector has the same problem because many projects such as hotels are postponing construction.



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## Risk Factors

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### 1. Dependence on Major Domestic Suppliers

In the year 2019, Hot Rolled Coil was the main raw material for the production of steel pipe and black sheet in the country. Only 3 of them were Sahaviriya Steel Industries Co., Ltd. GJ Steel Public Company Limited and G Steel Public Company Limited. The government has issued measures to protect and counter foreign dumping. By setting up an import tax wall Hot rolled coil prices are higher than domestic prices. And the three manufacturers could not produce enough steel rolls for the steel pipe mills.

### 2. Fluctuation in Prices of Raw Material (Hot Rolled Coil)

Hot Rolled Coil is the main raw material for the production of Steel Pipes. The price of product varies directly with the price of domestic Hot Rolled Coil. If the company cannot adjust sales price in the same or higher proportion than changes in Hot Rolled Coil price, the fluctuation in the price of domestic Hot Rolled Coil will have a direct impact on the company's cost of sales and profit.

However, the Management has followed changes in the raw material price closely so as to assess the overall market situation and forecast price trends as well as demands for Steel both domestically and internationally. This analysis will be used in the purchase decision making process as well as in the raw material inventory management. It is the company's policy to reduce the inventory level if there is a downward trend in the price of raw material and vice versa.

### 3. Extension of Credit Facilities and Fluctuation in interest rate

As of December 31, 2019, the company has short-term loans from various financial institutions in the amount of 1,550 million baht with total credit obligations of approximately 1,514 million baht with debt to equity ratio equal to 1.24 times. Therefore, in the event that the company does not receive such loan extensions, especially short-term loans, we will not have sufficient working capital to operate the business. In the event that the loan has an increased interest rate, our company's operations will be affected. Nevertheless, until now, there has never been a breach of credit conditions causing the bank to not extend the credit limit. In addition, the company receives lower interest rates every time the interest rates in the money market decrease. This is because we are a good customer.

### 4. Dependence on Managers to Apply Credit Facilities

Since 2017 on the use of credit lines Financial institutions have set conditions for the company to bring assets which are the locations of businesses and machines. To guarantee credit facilities. Without having to bring securities or executives to guarantee.

### 5. Management Influence from Major Shareholders

As of 16 March 2020 (Latest book closing date) company's major shareholders, Leekanchanakorn Family holds totally 68.52 % which over 50% of company's issued and paid-up shares. Unless it is a regulation or company's articles of association, namely capital increase or

decrease, that requires at least 3 out of 4 votes from the shareholders who have right and present in the shareholders meeting, these shareholder groups have the majority vote in almost all motions including the appointment of the Board of Directors. Other shareholders who have right and attend the meeting will not be able to gather enough votes to audit and impede the management power of major shareholders in addition to the Audit Committee who act on behalf of minority shareholders.

## Equity Structure

### The Company's Shares

As at December 31, 2019, the company has registered capital of THB 1,085,670,000 divided to 1,085,670,000 shares at par value THB 1 each. Paid-up capital THB 1,045,125,093 divided to 1,045,125,093 shares at par value THB 1 each.

Unpaid capital THB 40,544,907 divided into 40,544,907 shares at par value THB 1 each which remain from conversion rights. The warrant issued is expired and delisting since November 13, 2012. The warrant remains from conversion were issued and offered to directors, managers, and employees (ESOP), are expired and delisting since July 1, 2013.

### Shareholders

Major shareholders as at March 14, 2018 as follow:-

	Shareholder's Name	Number of Shares	Percentage (%)
1.	Leekanchanakorn Group	716,158,737	68.52
2.	Thai R.T.N.T. Holding Co.,Ltd.	28,187,500	2.69
3.	Mr.Vichan Vitoonkijvanich	16,050,000	1.54
4.	Mr.Surapol Poonsupwattana	11,520,000	1.10
5.	Ms.Natkamon Pahoophun	11,134,400	1.06
6.	Ms.Arin Jaturavanich	9,714,500	0.93
7.	Mr.Viroj Aungpaibool	9,000,200	0.86
8.	Mr.Chaovalit Taungsithisombat	7,960,500	0.76
9.	Mr.Thaveemon Pisit-amornkul	7,900,000	0.76
10.	Mrs.Amphai Harnkraivilai	7,000,000	0.67
11.	Other Shareholders	220,499,256	21.11
<b>Total</b>			<b>1,045,125,093</b>

Note: The holding of shares of Lee Kanchana Korn Group There are details in the next table.

The holding of shares of Leekanchanakorn Family

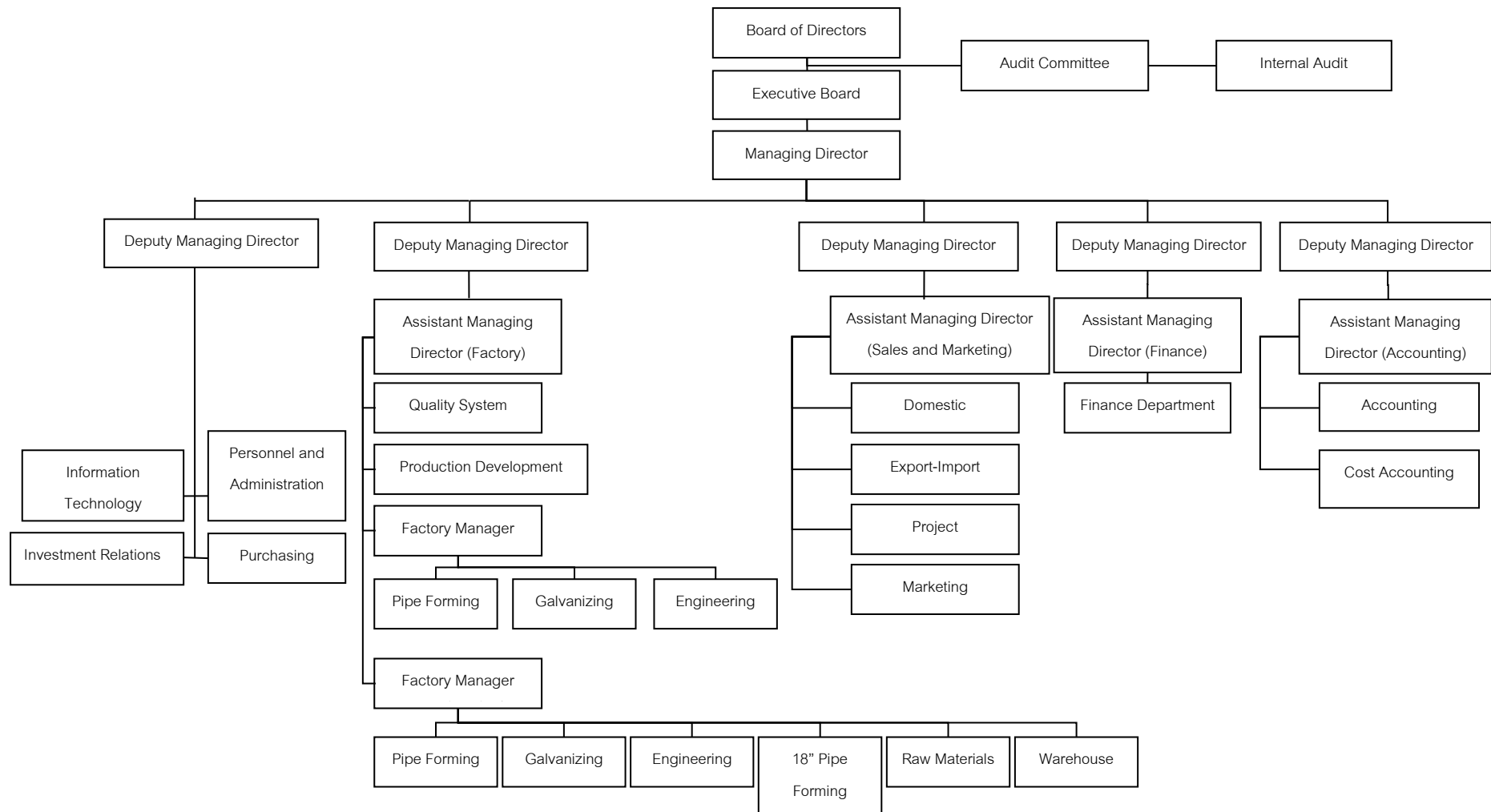
	Shareholder's Name	Number of Shares	Percentage (%)
1.	Ms.Tanavalee Leekanchanakorn	202,340,000	19.36%
2.	Mr.Thongchai Leekanchanakorn	198,724,100	19.01%
3.	Mr.Varunchai Leekanchanakorn	165,099,937	15.80%
4.	Mr.Varoonchai Leekanchanakorn	149,994,700	14.35%
<b>Total</b>		<b>716,158,737</b>	<b>68.52%</b>

## Dividend Policy

The company has a policy to pay dividend of at least 40 percent from net income. However, the company may pay dividend less than the stated figure if there is a necessity to use net income to finance the company's expansion projects. For the past 5-year dividend payment history.

Annual Performance Report	Net Profit (Loss) Baht	Earnings (Loss) per Share Baht	Dividend per Share Baht	Declared Dividend Baht	Dividend per Net Profit
2019	-241,296,056.55	-0.23	0	0	0
2018	-86,073,968	-0.08	0	0	0
2017	-77,817,513	-0.07	0	0	0
2016	48,904,025	0.54	0	0	0
2015	-58,498,266	-0.06	0	0	0

## Management Structure



## Mr. Thongchai Leekanchanakorn

Director, Chairman of Board of Directors  
and Chairman of Executive Board

Age 67

### Date of Director's Appointment

- May 12, 2010

### Family Relationship

- Father of Mr.Varoonchai  
Leekanchanakorn

### Education / Training

- B.S. Electronics  
Chiyoda Collage, Tokyo, Japan
- Director Accreditation Program  
(DAP)

### Number of shares held in the company

- 198,724,100 Shares ( 19.01% )

### Work Experience in the past 5 years

- 2018 – Present  
Chairman of Board of Directors  
Samchai Steel Industries PCL.
- 2010 – Present  
Chairman of Executive Board  
Samchai Steel Industries PCL.

### Criminal offence record during the past 10 years

- None

## Mr. Wattana Suthipinijtham

Director, Independent Director and  
Vice Chairman of Board of Directors

Age 74

### Date of Director's Appointment

- January 01, 2004

### Family Relationship

- None

### Education / Training

- B.A. Accounting (Honors) and  
MBA. Accounting Thammasat  
University
- M.B.A. : New York  
University,America
- Director Accreditation Program  
(DAP)

### Number of shares held in the company

- None

### Work Experience in the past 5 years

- 2016 – Present : Independent  
Director , Audit Committee and  
Risk Management Committee  
Grande Asset Hotels and  
Property PCL.
- 2015 – 2016 : Independent  
Director and Audit Committee  
Grande Asset Hotels and  
Property PCL.

### Criminal offence record during the past 10 years

- None



**Mr. Pornchai Kittipanya-ngam**

Director, Independent Director and  
Chairman of Audit Committee

Age 73

**Date of Director's Appointment**

- January 01, 2004

**Family Relationship**

- None

**Education / Training**

- B.B.A. Accounting  
Thammasat University
- M.B.A. Finance :Thammasat  
University
- Director Accreditation Program  
(DAP)

**Number of shares held in the  
company**

- None

**Work Experience in the past 5 years**

- 2015 – Present : Independent  
Directors and Chairman of  
Audit Committee  
Grande Asset Hotels and  
Property PCL.
- 1972 – Present : Excutive  
Partner Bunchikij Co.,Ltd.

**Criminal offence record during the past  
10 years**

- None

**Mr. Prichar Harnhathya**

Director, Independent Director and  
Member of Audit Committee

Age 72

**Date of Director's Appointment**

- January 01, 2004

**Family Relationship**

- None

**Education / Training**

- B.B.A. Accounting  
Thammasat University
- M.B.A. Finance : Columbia  
University
- Director Accreditation Program  
(DAP)

**Number of shares held in the  
company**

- None

**Work Experience in the past 5 years**

- 2005 – Present : Directors  
Andaman Resort Co.,Ltd.

**Criminal offence record during the past  
10 years**

- None

### Mr. Voravit Chotikasophon

Director, Independent Director and  
Member of Audit Committee

Age 72

#### Date of Director's Appointment

- July 07, 2017

#### Family Relationship

- None

#### Education / Training

- B.B.A. Economics  
Thammasat University
- Director Accreditation Program  
(DAP)

#### Number of shares held in the company

- None

#### Work Experience in the past 5 years

- 1987 - 1997 : Senior Sale  
Manager  
Bangkok Metal Industry Co.,Ltd.

#### Criminal offence record during the past 10 years

- None

### Mr. Thawatchai Chinthammitr

Director

Age 65

#### Date of Director's Appointment

- January 01, 2004

#### Family Relationship

- None

#### Education / Training

- B.B.A. Human Resource  
Management  
Assumption University
- Director Accreditation Program  
(DAP)

#### Number of shares held in the company

- None

#### Work Experience in the past 5 years

- 1998 – Present : Manager  
Chainarong Intertrade Co.,Ltd.

#### Criminal offence record during the past 10 years

- None





**Mr. Banpot Prasertsukskool**

Director, Executive Director, Company Secretary

Age 61

**Date of Director's Appointment**

- September 15, 2008

**Family Relationship**

- None

**Education / Training**

- B.A. Political Science  
(Public Administration)  
Thammasat University
- Director Accreditation Program  
(DAP)

**Number of shares held in the company**

- None

**Work Experience in the past 5 years**

- 2013 – Present : Company Secretary  
Samchai Steel Industries PCL.
- 2008 – 2013  
Director and Managing Director  
Samchai Steel Industries PCL.

**Criminal offence record during the past 10 years**

- None

**Mr. Varoonchai Leekanchanakorn**

Director and Managing Director

Age 37

**Date of Director's Appointment**

- April 26, 2018

**Family Relationship**

- Son of Mr.Thongchai  
Leekanchanakorn

**Education / Training**

- B.B.A. Finance  
UC Berkeley University, USA

**Number of shares held in the company**

- 149,994,700 Shares ( 14.35% )

**Work Experience in the past 5 years**

- 2015 – Present : Managing Director  
Steel Hub Co.,Ltd.
- 2011 – 2018 : Vice Managing Director  
Samchai Steel Industries PCL.

**Criminal offence record during the past 10 years**

- None

**Mrs. Preyawan Leusuvanatat**

Finance Manager

Age 65

**Family Relationship**

- None

**Education / Training**

- Diploma Accounting  
Bangkok Accounting Collage

**Work Experience in the past 5 years**

- 2001 – Present : Finance Manager  
Samchai Steel Industries PCL.

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**Ms. Saranjit Sirithanarattanakul**

Account Manager

Age 57

**Family Relationship**

- None

**Education / Training**

- Bachelor of Accounting  
Faculty of Business Administration  
Ramkhamhaeng University

**Work Experience in the past 5 years**

- 2002 – 2017 : Accountant  
Lek Nam Nueng Hardware Co.,Ltd.

**Ms. Srisamorn Kuyingrat**

Cost Account Manager

Age 66

**Family Relationship**

- None

**Education / Training**

- Diploma Accounting  
Bangkok Accounting Collage

**Work Experience in the past 5 years**

- 2003 – Present : Cost Account  
Manager  
Samchai Steel Industries PCL.



## Structure of Boards and Committees

The company has three boards/committees including the Board of Directors, the Executive Board of Directors and the Audit Committee.

### The Board of Directors

As at December 31, 2019 there were 8 members on the company's Board of Directors.

- |                    |                 |  |
|--------------------|-----------------|--|
| 1. Mr. Thongchai   | Leekanchanakorn | Chairman of Board of Directors & Chairman of Executive Board |
| 2. Mr. Wattana     | Suthipinijtham  | Independent Director & Vice Chairman                         |
| 3. Mr. Thawatchai  | Chinthammitr    | Director   |
| 4. Mr. Varoongchai | Leekanchanakorn | Director, Executive Director & Managing Director             |
| 5. Mr. Banpot      | Prasertsukskool | Director, Executive Director                                 |
| 6. Mr. Pornchai    | Kittipanya-ngam | Independent Director & Chairman of Audit Committee           |
| 7. Mr. Prichar     | Harnhathya      | Independent Director & Audit Committee Member                |
| 8. Mr. Voravit     | Chotikasophon   | Independent Director & Audit Committee Member                |

Mr. Vichet Tientong as secretary of Board of Directors and Mr. Banpot Prasertsukskool as company's secretary.

### Authorized Director

The Board of Directors. Meeting no. 2/2547 on January 29, 2004 has set powers, duties and responsibilities for directors as followed;

1) To monitor and set the company's policies regarding business and financial practices, fund raising, fund management and risk management.

2) To review investment proposals, approve the company's investment budget, and monitor project-progress to ensure that it runs in accordance to the plan.

3) To monitor the operation of the company to ensure that targets will be achieved or overachieved. To develop guideline to solve problems, ensuring that targets will be achieved or overachieved.

4) To arrange general information report and financial information report for shareholders, stakeholders and investors in a timely manner. Ensure the information is accurate and complies with all relevant regulations and laws.

5) To acknowledge important audit reports from the Audit Committee or internal auditor as well as the auditor and advisors in order to set guideline to improve significant flaws.

6) To assess sufficiency and appropriateness of the internal control and risk management system.

7) To develop succession plan for executive positions.

8) To appoint the Audit Committee and approve the scope of powers, duties and responsibilities of the Audit Committee.

9) To appoint the Executive Directors or delegate one or more than one particular directors or other persons to act on behalf of the Board of Directors. Delegated persons will have no authority to approve transactions that could create a conflict of interest or that the delegated person may himself be a person who has a conflict of interest (Definition of person who may have a conflict of interest. is indicated in the announcement of the SEC) and vested interest with

the company as well as the subsidiaries. This is in exception of following cases that require an approval from the shareholders. Meeting, Directors or other persons may have a conflict of interest or vested interest with the company or the subsidiaries will have no right to vote in such agenda.

- Activities that required approval from the shareholder.s meeting as required by relevant laws.
- Transactions that directors may have vested interest. Such transactions require approval from the shareholder.s meeting as designated by relevant laws or regulations from the Stock Exchange of Thailand.
- The following transactions require approval from the Board of Directors. Meeting and at least 3 out of 4 votes from shareholders who attend the meeting and have right to vote.
  - Selling or transferring of some significant parts or all the company.s business to other persons.
  - Buying or receiving businesses from other public or private companies.
  - Amending or canceling contracts concerning renting out some significant parts or all the company.s business, delegating other persons to manage the company or merging business with other persons with the objective to share profit and loss.
  - Issuing new shares to repay debtors in Conversion of Debt to Capital Project
  - Decreasing the company.s registered capital by reducing the number of shares or share value.
  - Increasing capital, decreasing capital, issuing debenture, merging or seizing the operation.
  - Other transactions that required by relevant laws.

#### The Board of Director's Meeting

Director's Name			Number of meetings attended / Number of meetings				
			Board of Directors	Audit Committee	Nomination and Remuneration Committee	Risk Management Committee	Shareholders meeting
1.	Mr.Thongchai	Leekanchanakorn	4/4				1/1
2.	Mr.Wattana	Suthipinijtham	4/4				1/1
3.	Mr.Pornchai	Kittipanya-ngam	4/4	4/4			1/1
4.	Mr.Prichar	Harnhathya	4/4	4/4			1/1
5.	Mr.Voravit	Chotisophon	4/4	4/4			1/1
6.	Mr.Thawatchai	Chinhammitr	4/4				1/1
7.	Mr.Banpot	Prasertsuuskool	4/4				1/1
8.	Mr.Varoonchai	Leekanchanakorn	3/4				1/1
Remark 1. The 2019 Annual General Meeting of shareholders was held on April 25, 2019.							



### The Executive Committee

As at December 31, 2019, there were 3 members on the company's executive Committee

- |                                   |  |
|-----------------------------------|--|
| 1. Mr. Thongchai Leekanchanakorn  | Chairman of Executive Board            |
| 2. Mr. Banpot Prasertsukskool     | Executive Director                     |
| 3. Mr. Varoonchai Leekanchanakorn | Executive Director & Managing Director |
- Ms. Natthaporn Yodnoom as secretary of Executive Board.

### Powers, Duties and Responsibilities of the Executive Committee

The Board of Directors. meeting no. 2/2547 on January 29, 2004 has set powers, duties and responsibilities for executive directors as followed;

- 1) To make decision in carrying out important tasks of the company. Set plans, type or size of missions, objectives, directions and policies if the company under the scope of powers and responsibilities that have been assigned. Manage and control the overall operation, production, customer relationship and report to the Board of Directors.
- 2) To evaluate investment expansion plan as well as acquisition and disposition of the company's fixed asset and propose to the Board of Directors.
- 3) To act on behalf of the company when conducting business with persons outside of the organization in the way that relates to and benefits the company.
- 4) To evaluate the company's fund raising activities to propose to the Board of Directors.
- 5) To appoint advisors in different area that necessity for the operation of the company.
- 6) To carry out general management activities.
- 7) To approve business plan from each business unit and approve requests from business unit when the unit has no authority to approve such requests.

Powers, duties and responsibilities of the executive committee must conform to relevant laws and the company's regulations. Powers of the executive committee do not include the approval of transactions in which directors or other persons may have a conflict of interest or vested interest with the company or the subsidiaries. According to relevant laws and the company's regulation, those transactions require approval from the Board of Directors and/or the Shareholders' meeting.

### The Audit Committee

As at December 31, 2019, there were 3 members on the company's Audit Committee

- |                 |                 |          |
|-----------------|-----------------|----------|
| 1. Mr. Pornchai | Kittipanya-ngam | Chairman |
| 2. Mr. Prichar  | Harnhathya      | Member   |
| 3. Mr. Voravit  | Chotikasophon   | Member   |

Ms. Natthaporn Yodnoom as secretary of audit committee.

All 3 Members of Audit Committee have knowledge and experience enough to review the company's financial statement.

### **Powers, duties and responsibilities of the Audit Committee**

- 1) To review the company's financial to ensure accuracy and adequate disclosure.
- 2) To ensure that the company maintain an appropriate and efficient internal control system, consider independency of internal audit unit and recommendation of appointment, transference and retirement of head of internal audit unit or another unit which response internal auditing.
- 3) To ensure that the company complies with the securities and exchange law, regulations of the Exchange and other relevant laws
- 4) To consider select and propose independence person for the appointment of the external auditor and make recommendation of remuneration of the auditor and meeting with auditor without management at least 1 time per year.
- 5) To consider the related transactions or transactions that could create a conflict of interest is comply to law and SET regulation to ensure that transaction is reasonable and give highest benefit to the company.
- 6) To prepare Audit Committee Report to be published in the annual report. This report must be signed by Chairman of the Audit Committee and must contain at least information as follow
  - 6.1 The opinion about accuracy and adequate of company's financial report.
  - 6.2 The opinion about adequate of company's internal control.
  - 6.3 The opinion about company's practice according to security and exchange law, SET's regulation and other relevant laws.
  - 6.4 The opinion about qualification of auditor.
  - 6.5 The opinion about transactions that could create a conflict of interest.
  - 6.6 Time of audit committee meeting and time attendance of each audit committee member.
  - 6.7 Opinion or notice which audit committee had received comply to audit committee's charter.
  - 6.8 Others relevance information which Shareholders and general investor should acknowledge.
- 7) To perform any other act as delegated by the Board of Directors and approved by the Audit Committee.

### **The audit Committee's meeting**

In 2019, the audit committee held 4 meetings. All audit committee member attended all 4 meetings and 1 of this is meeting with auditor without management.

### **The Risk Management Committee**

As at December 31, 2019, there were 3 members on the Risk Management Committee

- |                |                |          |
|----------------|----------------|----------|
| 1. Mr. Wattana | Suthipinijtham | Chairman |
| 2. Mr. Pricha  | Hanhattaya     | Member   |
| 3. Mr. Voravit | Chotikasophon  | Member   |

Ms. Natthaporn Yodnoom as secretary of the Risk Management committee

**Note** The Risk Management Committee was appointed by The Board of Directors' meeting No.3/2014 on August 14, 2014



## The Nomination, Remuneration and Corporate Governance Committee

As at December 31, 2019, there were 3 members on The Nomination, Remuneration and Corporate Governance Committee

- |                   |               |          |
|-------------------|---------------|----------|
| 1. Mr. Thawatchai | Chinthammitr  | Chairman |
| 2. Mr. Pricha     | Hanhattaya    | Member   |
| 3. Mr. Voravit    | Chotikasophon | Member   |

Ms. Natthaporn Yodnoom as secretary of the Risk Management committee.

**Note** The Risk Management Committee was appointed by The Board of Directors' meeting No.3/2014 on August 14, 2014

## The Management

As at December 31, 2019 there were 8 members on the management team

- |                   |                     |                             |
|-------------------|---------------------|-----------------------------|
| 1. Mr. Varoonchai | Leekanchanakorn     | Managing Director           |
| 2. Mr. Banpot     | Prasertsukskool     | Executive Director          |
| 3. Mrs. Vasana    | Lamatipanont        | Vice Managing Director      |
| 4. Mr. Warunwut   | Watthana-anun       | Vice Managing Director      |
| 5. Mrs. Tanyanun  | Duangraksa          | Assistant Managing Director |
| 6. Ms. Yupaporn   | Jitprajon           | Assistant Managing Director |
| 7. Ms. Srisamorn  | Kuyingrat           | Cost Account Manager        |
| 8. Ms. Saranjit   | Sirithanarattanakul | Account Manager             |

Remark : Information on managements as in appendix 1

## Powers, Duties and Responsibilities of Managing Director

- 1) To manage and control the overall operation of the company.
- 2) To manage or carry out assignments in accordance to policies, plans and budgets that have been set by the Board of Directors and/or the Executive Committee.
- 3) To have authority and approve budgets for the procurement of assets and services which benefit the company. Such approval authority applies only to general commercial under pre-specified budget that has been set by the Board of Directors.
- 4) To give orders, set disciplines, issues notice and memo to ensure that operations are carried out in the way that benefit the company and comply with the company's policies.
- 5) To act on behalf of the company when conducting business with persons outside of the organization in the way that relates to and benefits the company.
- 6) To approve the appointment of advisors that deemed important to the operation of the company.
- 7) To manage the company's business as delegated in order to ensure that objectives will be met and to ensure the compliance with policies, regulations, commands, disciplines, resolution of shareholders. meeting and/or resolution of the Board of Directors and the Executive Committee.s meeting.

In delegating powers to Managing Director as well as to other persons as Managing Director views as appropriate, it does not include powers and/or authorization to approve transactions that the delegated person may have conflict of interest or vested interest with the company or the subsidiaries. According to relevant laws and the company's regulation, those transactions require approval from the Board of Directors and/or the Shareholders. meeting.

General transactions that follow the pre-approved policies and regulations set by the Board of Directors are of exception.

### Budget Approval

The Executive Committee has the authority to approve budgets for the procurement of goods and services as indicated in procedures regarding powers and responsibilities of the Executive Committee.

	Approval Limit
Managing Director	THB 0.2 million
Chairman of Executive Board	THB 200 million
Executive Board	THB 200 million
Board of Directors	Unlimited

### Qualification and Selection of Independent Director

1. Holding shares not exceeding one per cent of the total number of voting rights of the company, its parent company, subsidiary, affiliate or juristic person which may have conflicts of interest, including the shares held by related persons of the independent director;

2. Neither being nor having been an executive director, employee, staff, or advisor who receives salary, or a controlling person of the company, its parent company, subsidiary, affiliate, same-level subsidiary or juristic person who may have conflicts of interest unless the foregoing status has ended not less than two years prior to the date of application filing with the Office;

3. Not being a person related by blood or registration under laws, such as father, mother, spouse, sibling, and child, including spouse of the children, executives, major shareholders, controlling persons, or persons to be nominated as executive or controlling persons of the company or its subsidiary;

4. Not having a business relationship with the company, its parent company, subsidiary, affiliate or juristic person who may have conflicts of interest, in the manner which may interfere with his independent judgement, and neither being nor having been a major shareholder, non-independent director or executive of any person having business relationship with the company, its parent company, subsidiary, affiliate or juristic person who may have conflicts of interest unless the foregoing relationship has ended not less than two years prior to the date of application filing with the Office.

The term ‘business relationship’ aforementioned under paragraph one includes any normal business transaction, rental or lease of immovable property, transaction relating to assets or services or grant or receipt of financial assistance through receiving or extending loans, guarantee, providing assets as collateral, including any other similar actions, which result in the applicant or his counterparty being subject to indebtedness payable to the other party in the amount of three percent or more of the net tangible assets of the applicant or twenty million Baht or more, whichever is lower. The amount of such indebtedness shall be calculated according to the calculation method for value of connected transactions under the Notification of the Board of Governors of the Stock Exchange of Thailand Re: Disclosure of Information and Act of Listed Companies Concerning the Connected Transactions mutatis mutandis. The combination of such indebtedness shall include indebtedness taking place during the course of one year prior to the date on which the business relationship with the person commences;



5. Neither being nor having been an auditor of the company, its parent company, subsidiary, affiliate or juristic person who may have conflicts of interest, and not being a major shareholder, non-independent director, executive or partner of an audit firm which employs auditors of the company, its parent company, subsidiary, affiliate or juristic person who may have conflicts of interest unless the foregoing relationship has ended not less than two years from the date of application filing with the Office;

6. Neither being nor having been any professional advisor including legal advisor or financial advisor who receives an annual service fee exceeding two million Baht from the company, its parent company, subsidiary, affiliate or juristic person who may have conflicts of interest, and neither being nor having been a major shareholder, non-independent director, executive or partner of the professional advisor unless the foregoing relationship has ended not less than two years from the date of application filing with the Office;

7. Not being a director who has been appointed as a representative of the company's director, major shareholder or shareholders who are related to the company's major shareholder;

8. Not engage in any business with similar nature as that of the company and is competitive with the business of the company, subsidiary or is not a substantial partner in a partnership, a director participating in any management role, an employee or officer, an advisor obtaining regular salary from, or a shareholder holding more than one percent of the voting share of accompany engaging in any business with similar nature to the company or subsidiary.

9. Not having any characteristics which make him incapable of expressing independent opinions with regard to the company's business affairs.

#### **Selection of Director and Independent director**

Currently, the company does not have the Nomination Committee. However the Board of Directors will use criteria and methodology to select its member. The company ensures that director qualifications are comply with relevant laws and regulations. The company will focus on experience, knowledge and capability of candidates before proposing them to the shareholders meeting for approval.

Selection methods are as followed:

1. A shareholder shall have one vote for each share held.
2. Each shareholder can use all the voting rights to vote for one or more persons to be a director. Shareholders are allowed to assign any amount of their rightful votes to any person.
3. Candidates shall be decided on the basis of the majority of the vote cast. In case of a tie of votes, the chairman presiding over the meeting shall have the casting vote.

## Executive Remuneration

### 1. Monetary Remuneration

Director's Name		Director Remuneration (Baht)				
		Board of Directors	Audit Committee	Nomination and Remuneration Committee	Board of Directors	Total
1. Mr.Wattana	Suthipinijtham	340,000				340,000
2. Mr.Thawatchai	Chinthammitr	60,000				60,000
3. Mr.Pornchai	Kittipanya-ngam	264,000	140,000			404,000
4. Mr.Prichar	Harnhathya	264,000	80,000			344,000
5. Mr.Voravit	Chotisophon	264,000	80,000			344,000
Total			1,192,000	300,000	0	0

Remark :

Executive Remuneration			
Name			Types
1.	Mr.Thongchai	Leekanchanakorn	Salary, Bonus, Transportation Allowance Provident Fund
2.	Mr.Varoonchai	Leekanchanakorn	
3.	Mr.Banpot	Prasertsukskool	
4.	Mrs.Vasana	Lamatipanont	
5.	Mr.Warunwut	Watthana-anan	
6.	Mrs.Tanyanun	Duangraksa	
7.	Ms.Yupaporn	Noppakaudrittidej	
8.	Mrs.Preyawan	Luesuvanatat	
9.	Mrs.Srisamorn	Kuyingrat	
10.	Ms.Saranjit	Sirithanarattanakul	
Total			13,740,459
Remark :			
1. Mrs.Preyawan Luesuvantat resigned on May 1,2019			
2. Ms.Saranjit Sirithanarattanakul resigned on December 31,2019			

### 2. Others Remuneration

None

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## Corporate Governance & Internal Control

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### Corporate Governance

The company has set up Code of Best Practices policy to be the operating direction of the company so as to enhance transparency and efficiency of the management as well as to create confidence among shareholders, investors and every related party. Currently, the company has followed every practice under the corporate governance policy including set for the Investor Relations Officer which will be responsible for communicating with investors, shareholders and related parties. The Investors can contact the Investor Relation Officer by Phone No. 0-2754-3555 Fax No. 0-2754-3974

### Explanation on Corporate Governance

The company has set up Code of Best Practices policy to be the operating direction of the company so as to enhance transparency and efficiency of the Management as well as to create confidence among shareholders, investors and every related party. Currently, the company has followed the practice under the corporate governance policy as follow:-

#### 1. Right of Shareholders

The company concern the right of every shareholders, which include major shareholders and general shareholders, by emphasis in disclosing information to every shareholders correctly, in time and equally.

In 2019 the company convene shareholder meeting by sent invitation letter and information of each agenda to shareholders before meeting date according to regulation and record minutes of meeting accuracy and adequate. Otherwise shareholders can equally audit company's operation, ask question and present their opinion in the meeting.

The company obligate policy to develop shareholders meeting information for more detail about reason and director's opinion of each agenda and add more channel for shareholders who did not attend the meeting themselves by assign audit director as attorney.

The company respect shareholder meeting as significant event for report operating result and answer shareholders' question. In the 2019 shareholders meeting chairman give a chance for shareholders equally to audit company's operation, ask question and present their opinion. Moreover the company record significant question and opinion in minutes of meeting.

#### 2. Equality of Shareholders

##### 2.1 Shareholders meeting

- The company realized to basic right of shareholders and will look after every shareholders equally. Every shareholder will receive information about date and agenda of meeting prior according to the regulation.

- The company give chance to shareholders who did not attend the meeting themselves by assign an attorney to attend and vote.

- The company use vote card for significant agenda etc. Appoint director, approve related transaction, approve receiving or selling of asset, appoint director person by person, for transparency and enable to audit if there are conflict.

- In shareholders meeting, the company will give a chance and support every shareholders equally to audit company's operation and recorded significant question and opinion in minutes of meeting. The relevant managers had attended the meeting to answer shareholder's question.

## 2.2 Supervision of Inside Information Usage

- The company obligate policy to prohibit directors and managements to disclose undisclosed internal information and use for security trading or use for self benefit or other person both direct and indirect.

- The company notify directors and managers to realize their responsibility to report security holding in the company and changing to Securities Exchange Commission according to Securities and Security Exchange Act.

## 3. Activity of stakeholders

Under business direction the company respect to the right of stakeholders, both internal stakeholder etc. employee and management, and external stakeholder etc. supplier customer community and social.

- |                 |   |
|-----------------|---|
| - Employee      | Take care employee equally and give suitable remuneration.  |
| - Trader        | make good relationship with trader (supplier : company : customer) according to the trade condition and each other benefit.                         |
| - Customer      | Build up customer satisfaction by emphasis at quality, suitable price, and fast delivery and service.   |
| - Lender        | Respect the lending condition.  |
| - Community and | Entry to quality management system "ISO" is show the respect to Sociality environment and sociality by look after effect to environment and social. |

## 4. Information disclosure and transparency

The company obligate policy to respect to disclose information correctly, adequate, often and in time. For investor relationship the company had appoint investor relationship officer to communicate with investors include relevant unit which can contact by telephone No. 0-2754-3555

## 5. Responsibility of Director

### 5.1 Board of directors structure

The company has 8 directors, 3 directors are executive director and management, 1 are not management, 4 are independent directors with 1 secretary. Appointment of director is under the company's Articles of Association and relevant regulations.

Chairman of board of directors and managing director are separated. Board of directors structure contain independence directors over one third of total board of directors which make balancing and management review.

### 5.2 Sub Committee

The Board of Directors has appointed the Audit Committee to assist in oversight company .The Audit Committee has clearly defined the duties and responsibilities of the Audit Committee, the Nomination Committee and the Remuneration Committee to help determine the

remuneration of directors and executives to the same level as the industry and appropriate to the duties and responsibilities assigned. They are high enough to attract and retain qualified directors and executives. And appoint a Risk Management Committee. To oversee the Company's risk in various areas.

### **5.3 Activities, Duties and Responsibilities of the Board of Directors**

5.3.1 Board of directors had obligate policy, plan and direction of the company and govern management to operate accordingly with efficiency and effectiveness to increase highest economic value for shareholders and onward growth. Otherwise board of directors had obligate limit of authority to approve normal transaction of executive board and managing director.

5.3.2 Board of directors respected to manage conflict of interest circumspectly, impartially and transparency by obligate directors and managements to disclose themselves and relevant person's conflict of interest to the board of directors to consider transaction that may occur conflict of interest and determine for the company's benefit.

Board of directors had obligate policy that the transaction that may occur conflict of interest must be approved by board of directors or shareholders meeting and obligate policy and procedure to control management and relevant person not to use inside information for themselves benefit as follow

- The company's directors and management is obligated to report any changes in their shareholding status to the Securities and Exchange Commission and the Stock Exchange of Thailand according to section 59 of securities and Exchange Act B.E. 2535.

- The company's managements who receive any internal information are prohibited to disclose such information to external or other person and obligated to refrain from any trading activities for 1 month before financial statements are disclosed to public.

5.3.3 Board of directors obligate internal control include finance and operation according to relevant laws and regulations.

The company respects to internal control both management level and operating level by obligates duties and operation of managements and operators clearly. There are assets usage controlling and obligate duties of operator, controller and evaluator separately. Otherwise there are internal control for accountancy and financial system include obligation of approval limit.

For internal audit unit which report directly to audit committee is major engine to develop internal control and internal audit system, the company assign internal audit from outsource, Outsourcing Plus Co.,Ltd., to operate under internal audit plan, relate and follow up information to submit to audit committee. Audit committee will look after and review company's operation in full scale and report audit result directly to board of directors.

### **5.4 Board of directors meeting**

The company set to held meeting often (at lease 3 month per 1 time) and held extra meeting if necessary. Each meeting the company determines agenda clearly and send invitation letter and detail 7 days prior meeting date for directors to have time enough to study before. The company record written minutes of meeting and keep the minutes that adopted by board of directors for directors and relevant person to review.

## 5.5 Remuneration

The company set director and manager's remuneration in the same level as industry for the highest benefit of the company. Remuneration is in types of salary, bonus and other remunerations, must vary according to the company operating result and director and manager's performance.

## 5.6 Development of director and management

The company will promote and give convenience to held training course and give knowledge to person who relate with company's governance etc. director, audit director, company's secretary, to develop operation continuously and effectiveness. The new directors will acknowledge company's information, regulation, business information and necessary information, enough for his responsibility.

Currently, the company obligate policy to obligate every director to take DCP or DAP training course of Thai Institute of Directors (IOD) to understand activity and responsibility of good director and company's secretary to take training course about company's secretary. For management the company obligates policy to promote and develop knowledge continuously by taking training course with relevant institutes.

## Supervision of Inside Information Usage

The company has drawn up policies to prohibit the company's directors and management from using unreleased information for personal gain and investment or selling purposes.

-The company's directors and management is obligated to report their shareholding status including those of their spouse and children who are under the age of 20 to the Office of the Securities and Exchange Commission and SET according to section 59 and the provision of a law according to section 275 of securities and Exchange Act B.E. 2535

-The company's directors and management is obligated to report any changes in their shareholding status to the Office of the Securities and Exchange Commission and the Stock Exchange of Thailand according to section 59 and the provision of a law according to section 275 of securities and Exchange Act B.E. 2535 as well as send a copy of such document to the company on the same date.

-The company will distribute a memo to inform the Management that executives who receive any significant internal information that may affect the stock's price are refrained from any trading activities for 1 month before such information or the financial statements are made public. In this regard, the company's directors and management are prohibited from releasing such information.

The company has set the penalties concerning the use of internal information for personal gain and for releasing such information in a wrongful manner. Penalties include verbal warning, written warning, probation and dismissal depending on a case by case basis.

## Internal Control

In the Board of Directors meeting no. 1/2018 on February 27, 2018 in which all of the three Audit Committees attended, the assessment of Samchai Steel Industries Public Company Limited's internal control system concerning the organization and environment, risk management, control activities, information and communication as well as monitoring and evaluation has been made.



The Board agrees that the company's current internal control system is sufficient and comply with the requirement of the Office of the Securities and Exchange Commission especially the internal control system regarding transactions with major shareholders, directors, executives and related parties. Moreover the company has outsourced independent internal auditor to monitor the internal control system and the compliance of such system as well as report the result to the Audit Committee.

Besides, for the company's accounting internal control, the company's auditor had examined and evaluated the efficiency, and did not find significant defect in the internal control system which should effected to their opinion to the company's financial statement as at December 31, 2018.

## Related Transaction

The company had made transaction with related person that could create a conflict which summary of relationship and detail of transactions as follow:-

Related person	Nature of Relationship
Chainarong Inter trade Co., Ltd. (Barring Distributor)	As a company with Mr.Thawatchai Chinthammit a major shareholder. And a member of the authorized signatory. Which Mr.Tawatchai Chinthammit as director Samchai Steel Industries Public Company Limited .

Summary of transaction between the company and related person that could create a conflict which occurred in the past 3 years as follow:-

### 1. Transaction with Chainarong Inter trade Co., Ltd.

Nature of Transaction	2017	2018	2019
The company purchased barring and factory supplies			
- Purchase	0.75	0.88	0.36
- Account payable			
Balance as at December 31, 2017	0.75	0.22	0.18
Increase	0.19	0.94	0.39
Decrease	(0.77)	(0.98)	(0.46)
Balance as at December 31, 2018	0.22	0.18	0.11

### Condition/Appropriateness and Necessity

Chainarong Inter Trade Co.,Ltd. offers trade Credit 90 days while the others gave no credit term and the price was the same as normal market price.

### Policy and Trend for Future Related Transactions

The Company determine to make no related transaction in the future except related transaction with Chainarong Intertrade co.,Ltd. However if the Company need to enter in to related transaction with related person the company had stipulated the policy for future related transaction by stipulated various conditions to preserve the principle of the product purchases and sales to be determine on market price which can compare with the principal form independent person. Otherwise the company will assign Audit committee or independent expert to consider and comment for appropriateness and reasonable price.

For related transaction in the future the company will practiced according to regulation procedure and disclosure of registered company to ensure such related transaction course no conflict of interest and give the highest benefit to all shareholders.



## Financial Status and Operating Result

### Overview of Operating Results

From 2017 onwards, in 2018, the company used sales and marketing strategies by selling less. From 2018 continuously until year 2019, the company has used sales and marketing strategies by selling goods for less profit margin, in order to gain confidence from the customers. In addition, the average selling price is still higher, in accordance with the world steel price. This results in sales in 2019 in the amount of 3,571 million baht, an increase of 85 million baht or 2.38% from the year 2018, but this is still not as normal as before the dispute with the Customs Department. While the market is highly competitive and customers have more diverse needs, the company must adjust its sales and marketing strategies by adding more complete steel products.

Although the company will encounter the problems mentioned above, the company tries to control and manage the resources available to the company as efficiently as possible, including reducing unnecessary expenses.

### Operating Results

#### Income

In the year 2019, the company had sales revenue of 3,571.07 million baht, an increase of 84.45 million baht from year 2018 or 2 percent due to some former customers have resumed trading. But has not yet returned to normalcy as before. Affected by the dispute with the Customs Department But still losing with the value and proportion of sales of each product type as follows :

Type of products	2017		2018		2019	
	Million baht	%	Million baht	%	Million baht	%
Sales Revenue						
- Black Steel Pipe	774.50	28.63	870.54	27.97	505.65	14.10
- Galvanized Steel	888.75	32.86	635.52	18.22	362.59	10.11
- Steel Pipe for Furniture	4.20	0.16	1.30	0.04	1.82	0.05
- Black Steel Sheet	0.00	0.00	0.05	0.00	0.02	0.00
- Sales of materials	39.90	1.48	401.04	11.50	388.50	10.83
- Scrap and debris particles. Finished grade B ,C pipe	90.75	3.35	103.93	2.98	2,270.86	63.33
-Trading	894.88	33.08	1,462.30	41.94	36.40	1.02
-Others	8.36	0.31	11.02	0.32	5.23	0.15
Total Sale Revenue	2,701.31	99.64	3,486.62	99.97	3,571.07	99.59
Other Incomes	9.62	0.36	0.96	0.03	14.77	0.41
Total Revenues	2,710.93	100.00	3,487.58	100.00	3,585.84	100.00

### **Cost of Sales**

In the year 2019, the cost of goods sold was 3,517.27 million baht, increased from 167.15 million baht in year 2018 or 4.99% due to the increase in sales. The increased in proportion to the increase in sales is because the company sets a lower selling price for the products, in order to get the confidence from customers who cancel and reduce the order during the dispute with the Customs Department.

### **Loss from revaluation of inventories**

In the year 2019, the company had a loss from the revaluation of inventories of 25.76 million baht while the year 2018 had a reversal of loss of 0.63 million baht because throughout the year 2019 the price of steel tends to decrease while the stock increases.

### **Gross Profit**

From the above reasons, in the year 2019, the company has gross profit of 28.02 million baht, representing 0.78% of sales revenue compared to 2018, gross profit 137.12 million baht, equivalent to 3.93 percent, decreased by 109.10 million baht. To 79.56 percent.

### **Selling and Administrative Expenses**

In the year 2019, selling and administrative expenses were 167.77 million baht, a decrease of 28.39 million baht or 14.47 percent from 2018. This is because the company has a policy to save costs in all aspects.

### **Financial Cost**

In the year 2019, the financial cost was 46.10 million baht, an increase of 1.43 million baht from the year 2018, equivalent to 3.21 percent due to the higher utilization of the loan facilities.

### **Net profit**

From the above reasons, in the year 2019, the company has a net loss of 238.79 million baht, an increase of 152.72 million baht or 177.43 percent.

### **Financial status**

#### **Assets components**

The company's total assets at the end of the year 2019 were 3,752.66 million baht, an increase of 4.69 million baht from the previous year, equivalent to 0.12 percent. Most of which was an increase in current assets of 107.50 million baht (trade accounts and inventory)

For non-current assets, the value was 2,158.12 million baht, a decrease of 102.8 million baht or 4.54 percent.

#### **Trade accounts and others receivable**

At the end of the year 2019, the company had trade and other receivables in the amount of 862.38 million baht, close to the year 2018 at 862.42 million baht. The average collection period was 88 days due to the company adjustment in the policy to sell products to users directly rather than.

Table of aging of account receivable as at December 31, 2019

Age of Trade accounts and notes receivable	Others company		Related company	
	Million baht	%	Million baht	%
Undue	238.51	31.90	-	-
Overdue				
Less than 1 month	221.12	29.58	-	-
Over 1 month to 2 months	91.90	12.29	-	-
Over 2 months to 3 months	52.07	6.97	-	-
Over 3 months to 6 months	34.41	4.60	-	-
Over 6 months to 9 months	1.13	0.15	-	-
Over 9 months to 12 months	6.36	0.85	-	-
Over 12 months	102.05	13.66	-	-
Total	<b>747.59</b>	<b>100.00</b>	-	-
Allowance for doubtful accounts	(69.11)	(9.00)		
Total	<b>678.47</b>	<b>90.75</b>	-	-

For accounts receivable with overdue more than 3 months, the company has taken all legal actions. In addition, the company has set up an allowance for doubtful accounts amounting to 69.11 million baht and has also received a claim of 53.96 million baht from credit insurance.

### Inventories

At the end of 2019, the company had inventories worth 645.72 million baht, an increase of 109.05 million baht from the previous year or 20.32 percent. The turnover period of inventories increased from 58 days in 2018 to 67 days.

Table of inventories components

Unit: million baht

ITEM	2017	2018	2019
Finished goods	509.08	273.16	271.02
Work in process	90.34	49.29	43.07
Trading	205.71	119.30	192.20
Raw materials	190.72	80.14	152.07
Suppliers	16.74	16.69	15.05
Total	<b>1,012.62</b>	<b>538.60</b>	<b>673.41</b>
Less provision for declining in value	(2.56)	(1.92)	(27.69)
Inventories-net	<b>1,010.06</b>	<b>536.67</b>	<b>645.72</b>

### Property, Plant and Equipment

As of 31 December 2019 Property, Plant and Equipment - Net The company's value was 2,066.53 million baht, a decrease of 43.23 million baht or 2.05 percent due to normal depreciation.

## **Liquidity**

In the year 2019, the company had positive cash receivable from operations of 9.58 million baht. After deducting interest and income tax payments, net cash from operating activities would be negative 33.48 million baht.

Net cash used in the investment was 16.30 million baht because in the year 2019 the company invested in a subsidiary, renovated factory buildings and invested in more machinery.

Regarding the cash flow from financing activities, the company had net cash from financing activities, increased by 48.28 million baht, as the drawdown of revolving credit increased by 58.80 million baht and paid total liabilities of 10.51 million baht.

As for the company's current ratio as of December 31, 2019, which is current assets to current liabilities equal to 0.77 times and quick ratio to 0.46 times, the company still has sufficient liquidity to operate the business.

## **Source of funds**

### **Liabilities**

As of December 31, 2019, the company had total liabilities of 2,077.21 million baht, an increase of 245.99 million baht from year 2018, representing a rate of 13.43 percent. Current liabilities increased by 247.72 million baht while non-current liabilities decreased by 1.73 million baht. As a result, the debt to equity ratio of the company increased from 0.96 times at the end of 2018 to 1.24 times at the end of 2019.

## **Shareholders' Equity**

As of December 31, 2019, the company has registered capital of 1,085.67 million baht, the paid-up registered capital of 1,045.12 million shares, with a par value of 1 baht each, in the amount of 1,045.12 million baht. Employees / directors have not exercised their rights to purchase new shares. And the exercise period has expired since 2012 and 2013.

The shareholders' equity of the company as of December 31, 2019 is equal to 1,675.44 million baht, a decrease of 241.30 million baht due to the continuous loss from the dispute with the Customs Department.

## **Allowance fee of auditors**

### **1. Audit fee**

The Company paid audit fee to auditor for 2019 in amount of Baht 1,285,000.

### **2. Non-audit fee**

-none-

# Financial Statement

## INDEPENDENT AUDITOR'S REPORT

To The Shareholders of  
SAMCHAI STEEL INDUSTRIES PUBLIC COMPANY LIMITED

### Opinion

I have audited the accompanying consolidated and separate financial statements of SAMCHAI STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARY (the Group) and of SAMCHAI STEEL INDUSTRIES PUBLIC COMPANY LIMITED (the Company), which comprise the consolidated and separate statements of financial position as at December 31, 2019, and the consolidated and separate statements of comprehensive income, consolidated and separate statements of changes in shareholders' equity and consolidated and separate statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated and separate financial statements present fairly, in all material respects, the financial position of SAMCHAI STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARY and of SAMCHAI STEEL INDUSTRIES PUBLIC COMPANY LIMITED as at December 31, 2019, and their 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 Consolidated and Separate Financial Statements section of my report. I am independent of the Group in accordance with the Federation of Accounting Professions' Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to my audit of the consolidated and separate financial statements, 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.

### Key Audit Matters

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

**Key Audit Matters included Auditing Procedures are as follows:**

**Presentation of inventories valuation (consolidated and separate financial statements)**

As stated in notes 3.4 and 8 to financial statements, the Company and subsidiary have material amount of finished goods as at December 31, 2019 of Baht 732.63 million (Separate : Baht 645.72 million) in the financial statements stated at the lower of cost or net realizable value. The Management estimated net realizable value from normal salable prices of each category of goods after the reporting date. I have focused on consideration of providing allowance for devaluation of such net realizable value since the selling price used in determining the allowance for net realizable value was referred to domestic market prices fluctuated according to supply and demand.

I have obtained an assurance in respect of the presentation of inventories valuation, by included;

- Obtained an understanding of the policy for net realizable value calculation, the gathering data methodology including reviewed the accuracy and the consistency in compliance with the accounting policies.
- Sample tested the accuracy of estimation of net realizable value of inventories, by comparing the cost of inventories and their net realizable value of inventories calculated from the selling price after the reporting date less the necessary costs to make the.
- Considered the adequacy of disclosures in the relation to inventories in notes to financial statements.

**Allowance for doubtful accounts (separate financial statements)**

As stated in notes 3.3 and 5 to financial statements, in determining the allowance for doubtful accounts by using various assumptions. Therefore, the Management must make substantive judgment in estimating allowance for doubtful accounts by the ability and financial position of each receivable in making debt settlement. The estimation of allowance for doubtful accounts is material since as at December 31, 2018 the Company and subsidiary had material amount of trade accounts receivable that may take a risk in respect of the value of allowance for doubtful accounts.

I have obtained an assurance in respect of the presentation of allowance for doubtful accounts, by included;

- Obtained an understanding of the basis used in consideration of allowance for doubtful accounts including reviewed the consistency of application such basis and the rational for recognition of allowance for doubtful accounts of a specific receivable.
- Analytical review the outstanding period information and movements of trade accounts receivables for indicating the group of receivables who had made delay payment.
- Reviewed the subsequent receipt after the reporting date.
- Considered the challenging trade accounts receivables.

## **Other Information**

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

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

In connection with my audit of the consolidated and separate financial statements, my responsibility is to read the other information identified above 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 of the Group, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance for correction of the misstatement appropriately.

## **Responsibilities of Management and Those Charged with Governance for the Consolidated and Separate Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of the consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, management is responsible for assessing the Group's and 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 Group or to cease operations, or has no realistic alternative but to do so.

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

## **Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements**

My objectives are to obtain reasonable assurance about whether the consolidated and separate 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 Thai Standards on Auditing 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 Thai Standards on Auditing, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the consolidated and separate 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 Group'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 Group's and 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 consolidated and separate 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate 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 Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.





I communicate with those charged with governance regarding, 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 consolidated and separate 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.

D I A International Audit Co., Ltd.

(Miss Suphaphorn Mangjit)  
C.P.A. (Thailand)  
Registration No. 8125

February 28, 2020

**SAMCHAI STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARY**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2019**

(Unit : Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2019	2018	2019	2018
Assets					
Current assets					
Cash and cash equivalents	5	87,626,052.19	89,887,086.72	86,426,474.33	87,927,671.51
Trade and other current receivables	6	744,587,227.73	595,456,040.18	743,151,019.18	593,671,597.17
Trade accounts receivable from related party	7, 22	0.00	0.00	119,233,581.34	268,756,309.23
Inventories	8	732,627,132.84	781,984,733.67	645,721,862.09	536,674,879.16
Total current assets		1,564,840,412.76	1,467,327,860.57	1,594,532,936.94	1,487,030,457.07
Non-current assets					
Investment in subsidiary	9	0.00	0.00	42,100,331.52	112,614,936.59
Other long-term investments	10	6,819,111.00	6,819,111.00	6,819,111.00	6,819,111.00
Property, plant and equipment	11	2,160,277,321.90	2,205,879,709.12	2,066,536,989.60	2,109,768,011.33
Other intangible assets	12	48,797.22	209,632.51	48,797.22	209,632.51
Bank deposit with obligations	13	8,382,983.75	8,283,464.00	8,382,983.75	8,283,464.00
Deferred tax assets	20	14,887,675.95	10,258,379.82	21,133,350.84	10,258,379.82
Right-of-use assets, land	14.1	15,728,589.69	0.00	0.00	0.00
Prepaid expenses under operating lease	14.2	0.00	15,815,648.30	0.00	0.00
Other non-current assets		20,059,752.34	20,016,247.82	13,106,890.76	12,979,375.49
Total non-current assets		2,226,204,231.85	2,267,282,192.57	2,158,128,454.69	2,260,932,910.74
Total assets		3,791,044,644.61	3,734,610,053.14	3,752,661,391.63	3,747,963,367.81

Notes to financial statements are parts of these financial statements.

These financial statements have been approved by the shareholders' general meeting No. ....held on.....

I do hereby certify that the above financial statements are correct in all aspects.

(Sign) ..... Authorized Director  
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SAMCHAI STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARY  
STATEMENTS OF FINANCIAL POSITION (Cont'd)  
AS AT DECEMBER 31, 2019

(Unit : Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2019	2018	2019	2018
Liabilities and shareholders' equity					
Current liabilities					
Bank overdrafts and short-term loans					
from financial institutions	15	1,514,238,726.73	1,455,433,737.54	1,514,238,726.73	1,455,433,737.54
Trade and other current payables	16	554,259,722.22	354,959,611.23	548,035,557.47	351,869,815.54
Trade accounts payable from related party	22	108,455.20	179,123.35	108,455.20	179,123.35
Current portion of financial lease liabilities	17	2,490,450.60	1,640,960.06	2,490,450.60	1,640,960.06
Current portion of long-term debt	18	0.00	8,024,604.58	0.00	8,024,604.58
Short-term loans		4,000,000.00	4,000,000.00	4,000,000.00	4,000,000.00
<b>Total current liabilities</b>		<u>2,075,097,354.75</u>	<u>1,824,238,036.76</u>	<u>2,068,873,190.00</u>	<u>1,821,148,241.07</u>
Non-current liabilities					
Financial lease liabilities	17	2,054,303.97	909,829.03	2,054,303.97	909,829.03
Creditors under debt restructuring agreement	18	0.00	6,039,651.15	0.00	6,039,651.15
Non-current provisions for employee benefit	19	6,289,927.65	3,125,620.00	6,289,927.65	3,125,620.00
<b>Total non-current liabilities</b>		<u>8,344,231.62</u>	<u>10,075,100.18</u>	<u>8,344,231.62</u>	<u>10,075,100.18</u>
<b>Total liabilities</b>		2,083,441,586.37	1,834,313,136.94	2,077,217,421.62	1,455,433,737.54

Notes to financial statements are parts of these financial statements.

(Sign) ..... Authorized Director  
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**SAMCHAI STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARY**  
**STATEMENTS OF FINANCIAL POSITION (Cont.)**  
**AS AT DECEMBER 31, 2019**

(Unit : Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2019	2018	2019	2018
Liabilities and shareholders' equity					
Shareholders' equity					
Share capital					
Authorized share capital					
1,085,670,000 common shares of Baht 1 each		1,085,670,000.00	1,085,670,000.00	1,085,670,000.00	1,085,670,000.00
Issued and paid-up share capital					
1,045,125,093 common shares of Baht 1 each		1,045,125,093.00	1,045,125,093.00	1,045,125,093.00	1,045,125,093.00
Premium on share capital		918,494,598.54	918,494,598.54	918,494,598.54	918,494,598.54
Retained earnings (deficit)					
Appropriated					
Legal reserve	21	35,179,082.30	35,179,082.30	35,179,082.30	35,179,082.30
Unappropriated		(286,814,022.77)	(98,245,382.90)	(323,354,803.83)	(82,058,747.28)
Other components of equity		(4,381,692.83)	(256,474.74)	0.00	0.00
Total shareholders' equity		1,707,603,058.24	1,900,296,916.20	1,675,443,970.01	1,916,740,026.56
Total liabilities and shareholders' equity		3,791,044,644.61	3,734,610,053.14	3,752,661,391.63	3,747,963,367.81

Notes to financial statements are parts of these financial statements.

(Sign) ..... Authorized Director  
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**SAMCHAI STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARY**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

(Unit : Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2019	2018	2019	2018
Revenues from sales		3,679,366,128.11	3,223,720,712.15	3,571,067,899.55	3,486,621,409.39
Cost of sales		(3,652,654,350.48)	(3,102,553,528.86)	(3,517,275,204.37)	(3,350,125,702.91)
Reversal (Loss) on inventories devaluation		(36,509,315.78)	631,977.86	(25,765,060.13)	631,977.86
<b>Gross profit</b>		<b>(9,797,538.15)</b>	<b>121,799,161.15</b>	<b>28,027,635.05</b>	<b>137,127,684.34</b>
Gain (loss) on exchange rate		(2,414,809.15)	2,303,934.30	(4,278,135.92)	(2,781,694.65)
Other income		14,770,007.98	964,067.73	14,770,007.98	964,067.73
Loss on impairment of investment		0.00	0.00	(72,189,594.21)	0.00
Distribution costs		(22,048,561.24)	(56,437,344.52)	(22,048,561.24)	(56,437,344.52)
Administrative expenses		(122,983,316.18)	(142,176,365.66)	(145,728,659.97)	(139,733,072.46)
Directors' remuneration	24	(1,492,000.00)	(1,927,000.00)	(1,492,000.00)	(1,927,000.00)
Finance costs		(46,104,848.26)	(44,669,101.20)	(46,104,848.26)	(44,669,101.20)
<b>Loss before income tax</b>		<b>(190,071,065.00)</b>	<b>(120,142,648.20)</b>	<b>(249,044,156.57)</b>	<b>(107,456,460.76)</b>
Tax income (expense)	20	4,003,921.93	21,382,492.17	10,249,596.82	21,382,492.17
<b>Loss for the year</b>		<b>(186,067,143.07)</b>	<b>(98,760,156.03)</b>	<b>(238,794,559.75)</b>	<b>(86,073,968.59)</b>
<b>Other comprehensive income :</b>					
Components of other comprehensive income that will be reclassified to profit or loss					
Exchange difference on translation of financial statement		(500,842.34)	(103,311.16)	0.00	0.00
Components of other comprehensive income that will not be reclassified to profit or loss					
Loss on remeasurements of defined benefit plans	19	(3,126,871.00)	0.00	(3,126,871.00)	0.00
Income tax relating to components of other comprehensive income that will not be reclassified to profit or loss.	20	625,374.20	0.00	625,374.20	0.00
<b>Other comprehensive income (expense) for the year net of tax</b>		<b>(6,626,714.89)</b>	<b>(500,842.34)</b>	<b>(2,501,496.80)</b>	<b>0.00</b>
<b>Total comprehensive income (expense) for the year</b>		<b>(192,693,857.96)</b>	<b>(99,260,998.37)</b>	<b>(241,296,056.55)</b>	<b>(86,073,968.59)</b>

Notes to financial statements are parts of these financial statements.

(Sign) ..... Authorized Director  
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SAMCHAI STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARY  
STATEMENTS OF COMPREHENSIVE INCOME (Cont.)  
FOR THE YEAR ENDED DECEMBER 31, 2019

(Unit : Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2019	2018	2019	2018
Profit (loss) attributable to:					
Owners of the Company		(186,067,143.07)	(98,760,156.03)	(238,794,559.75)	(77,817,513.46)
Non-controlling interests		0.00	0.00	0.00	0.00
		(186,067,143.07)	(98,760,156.03)	(238,794,559.75)	(77,817,513.46)
Total comprehensive income (expense) attributable to:					
Owners of the Company		(192,693,857.96)	(99,260,998.37)	(241,296,056.55)	(79,948,001.46)
Non-controlling interests		0.00	0.00	0.00	0.00
		(192,693,857.96)	(99,260,998.37)	(241,296,056.55)	(79,948,001.46)
Earnings per share					
	3.13				
Basic earnings (loss) per share		(0.18)	(0.09)	(0.23)	(0.07)
Number of weighted average common shares (share)		1,045,125,093	1,045,125,093	1,045,125,093	1,045,125,093

Notes to financial statements are parts of these financial statements.

(Sign) ..... Authorized Director  
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**SAMCHAI STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARY**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

(Unit : Baht)

	Consolidated financial statements					
			Retained earnings (Deficit)			Total
	Issued and paid-up share capital	Premium on share capital	Appropriated Legal reserve	Unappropriated	Other components of equity	shareholders' equity
Beginning balance as at January 1, 2018	1,045,125,093.00	918,494,598.54	35,179,082.30	514,773.13	244,367.60	1,999,557,914.57
Changes in shareholders' equity						
for the year :						
Loss for the year	0.00	0.00	0.00	(98,760,156.03)	0.00	(98,760,156.03)
Other comprehensive income (expense) for the year	0.00	0.00	0.00	0.00	(500,842.34)	(500,842.34)
Loss from discontinued operations	0.00	0.00	0.00	(98,245,382.90)	(256,474.74)	1,900,296,916.20
Balance as at December 31, 2018	1,045,125,093.00	918,494,598.54	35,179,082.30			
Changes in shareholders' equity						
for the year :				(186,067,143.07)	0.00	(186,067,143.07)
Loss for the year	0.00	0.00	0.00	(2,501,496.80)	(4,125,218.09)	(6,626,714.89)
Other comprehensive income (expense) for the year	0.00	0.00	0.00	(286,814,022.77)	(4,381,692.83)	1,707,603,058.24
Balance as at December 31, 2019	1,045,125,093.00	918,494,598.54	35,179,082.30	514,773.13	244,367.60	1,999,557,914.57

Notes to financial statements are parts of these financial statements.

(Sign) ..... Authorized Director  
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**SAMCHAI STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARY**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

(Unit : Baht)

	Separate financial statements				
	Issued and paid-up share capital	Premium on share capital	Retained earnings (Deficit)		Total shareholders' equity
			Appropriated Legal reserve	Unappropriated	
Beginning balance as at January 1, 2018	1,045,125,093.00	918,494,598.54	35,179,082.30	4,015,221.31	2,002,813,995.15
Changes in shareholders' equity					
for the year :					
Loss for the year	0.00	0.00	0.00	(86,073,968.59)	(86,073,968.59)
Other comprehensive income (expense) for the year	0.00	0.00	0.00	0.00	0.00
Balance as at December 31, 2018	1,045,125,093.00	918,494,598.54	35,179,082.30	(82,058,747.28)	1,916,740,026.56
Changes in shareholders' equity					
for the year :					
Loss for the year	0.00	0.00	0.00	(238,794,559.75)	(238,794,559.75)
Other comprehensive income (expense) for the year	0.00	0.00	0.00	(2,501,496.80)	(2,501,496.80)
Balance as at December 31, 2019	1,045,125,093.00	918,494,598.54	35,179,082.30	(323,354,803.83)	1,675,443,970.01

Notes to financial statements are parts of these financial statements.

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**SAMCHAI STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARY**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
<b>Cash flows from operating activities</b>				
Loss before income tax	(190,071,065.00)	(120,142,648.20)	(249,044,156.57)	(107,456,460.76)
<b>Adjustments to reconcile net profit (loss) to cash receipt (disbursement) from operating activities</b>				
Depreciation	74,722,302.85	73,889,698.61	68,700,856.37	73,046,222.97
Amortized computer software	160,835.29	233,624.52	160,835.29	233,624.52
(Reversal) Loss on devaluation of inventories	36,509,315.78	(631,977.86)	25,765,060.13	(631,977.86)
Unrealized (gain) loss on exchange rate	(3,921,895.42)	(397,995.44)	7,688,814.06	3,166,090.53
(Gain) loss on sale of assets	(3,543,367.52)	(46,773.57)	(3,543,367.52)	(46,773.57)
(Reversal) Doubtful accounts and bad debt	12,609,268.92	4,913,903.10	43,837,643.38	4,913,903.10
Income compensation from damaged goods	(934,148.70)	0.00	(934,148.70)	0.00
(Gain) on debt restructuring	(6,039,651.15)	0.00	(6,039,651.15)	0.00
Loss on impairment of investment	0.00	0.00	72,189,594.21	0.00
Interest income	(215,326.72)	(130,582.47)	(215,326.72)	(130,582.47)
Amortized assets	319,666.80	49,583.10	319,666.80	49,583.10
Amortized liabilities	(59,236.00)	(304,978.00)	(59,236.00)	(304,978.00)
Amortized right-of-use assets, land	435,293.08	0.00	0.00	0.00
Amortized prepaid land lease	0.00	261,175.85	0.00	0.00
Employee benefit expenses	2,048,621.00	841,758.00	2,048,621.00	841,758.00
Interest expenses	44,503,618.18	43,242,631.03	44,503,618.18	43,242,631.03
<b>Profit (Loss) from operation before changes in operating assets and liabilities</b>	<b>(33,475,768.61)</b>	<b>1,777,418.67</b>	<b>5,378,822.76</b>	<b>16,923,040.59</b>

Notes to financial statements are parts of these financial statements.

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**SAMCHAI STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARY**  
**STATEMENTS OF CASH FLOWS (Cont'd)**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
<b>Operating assets (increase) decrease</b>				
Trade and other current receivables	(164,515,590.74)	(134,308,726.24)	(164,515,590.74)	(134,308,726.24)
Trade receivables from related party	0.00	0.00	106,683,643.95	(265,227,100.53)
Inventories	1,703,182.76	228,709,393.81	(145,957,145.35)	474,019,248.32
Proceeds from compensation from damaged goods	12,079,250.99	0.00	12,079,250.99	0.00
Other non-current assets	84,010.75	(1,589,201.01)	0.00	3,296,537.87
<b>Operating liabilities increase (decrease)</b>				
Trade and other current payables	197,594,467.31	157,788,571.49	197,994,271.01	154,820,967.38
Trade payables from related party	(70,668.15)	(40,724.31)	(70,668.15)	(40,724.31)
Employee benefit paid - retirement	(2,011,184.35)	(4,014,145.00)	(2,011,184.35)	(4,014,145.00)
<b>Cash generated (paid) from operation</b>	<b>11,387,699.96</b>	<b>248,322,587.41</b>	<b>9,581,400.12</b>	<b>245,469,098.08</b>
Interest paid	(42,940,543.77)	(43,128,223.75)	(42,940,543.77)	(43,128,223.75)
Income tax paid	(127,515.27)	(283,378.29)	(127,515.27)	(283,378.29)
<b>Net cash provided by (used in) operating activities</b>	<b>(31,680,359.08)</b>	<b>204,910,985.37</b>	<b>(33,486,658.92)</b>	<b>202,057,496.04</b>
<b>Cash flows from investing activities</b>				
Decrease (Increase) in investment in subsidiary	0.00	0.00	(1,674,989.14)	(64,745,536.59)
Decrease (Increase) in other long-term investments	2,426,899.81	5,434,187.64	2,426,899.81	1,612,628.02
Acquisition of property, plant and equipment	(25,006,356.64)	(92,575,684.64)	(21,356,275.65)	(22,599,010.84)
Proceeds from sale of assets	3,594,870.97	68,553.44	3,594,870.97	68,553.44
Increase (Decrease) in assets payable	4,124,195.68	(681,395.57)	590,022.93	(681,395.57)
Decrease (Increase) in pledged bank deposits	(99,519.75)	(4,664,588.90)	(99,519.75)	(4,664,588.90)
Proceeds from interest	215,326.72	130,582.47	215,326.72	130,582.47
<b>Net cash provided by (used in) investing activities</b>	<b>(14,744,583.21)</b>	<b>(92,288,345.56)</b>	<b>(90,878,767.97)</b>	<b>(90,878,767.97)</b>

Notes to financial statements are parts of these financial statements.

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SAMCHAI STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARY

STATEMENTS OF CASH FLOWS (Cont'd)  
FOR THE YEAR ENDED DECEMBER 31, 2018

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
<b>Cash flows from financing activities</b>				
Increase (Decrease) in bank overdrafts and				
short-term loans from financial institutions	58,804,989.19	(77,684,526.27)	58,804,989.19	(77,684,526.27)
Payment of financial lease liabilities	(2,490,763.76)	(1,552,937.92)	(2,490,763.76)	(1,552,937.92)
Payments for creditors under debt restructuring agreement				
agreement	(8,024,604.58)	(29,318,580.37)	(8,024,604.58)	(29,318,580.37)
<b>Net cash provided by (used in) financing activities</b>	<b>(495.00)</b>	<b>0.00</b>	<b>(495.00)</b>	<b>0.00</b>
<b>Increase (Decrease) in exchange difference on translation</b>	<b>48,289,125.85</b>	<b>(108,556,044.56)</b>	<b>48,289,125.85</b>	<b>(108,556,044.56)</b>
<b>of financial statements</b>				
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(4,125,218.09)</b>	<b>(500,842.34)</b>	<b>0.00</b>	<b>0.00</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>(2,261,034.53)</b>	<b>3,565,752.91</b>	<b>(1,501,197.18)</b>	<b>2,622,683.51</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>89,887,086.72</b>	<b>86,321,333.81</b>	<b>87,927,671.51</b>	<b>85,304,988.00</b>

Notes to financial statements are parts of these financial statements.

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**SAMCHAI STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND SUBSIDIARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**1. GENERAL INFORMATION**

1.1 SAMCHAI STEEL INDUSTRIES PUBLIC COMPANY LIMITED ("the Company") was registered as a company limited on December 25, 1997 with registration No.1489/2540 and the Company was registered to convert into a public company limited on March 18, 2004 with registration No. BorMorJor. 0107547000249 and became a listed company in the Stock Exchange of Thailand on September 7, 2004.

**1.2 Locations:**

Head office is located at 75/14, 75/17, 85 Soi Wat Sopanaram, Ekkachai Road, Tumbol Kokkham, Amphur Muang, Samutsakorn.

Branch office is located at 56-56/1 Moo 2, Poochaosamingprai Road, Tumbol Bangyaphraek, Amphur Praphradaeng, Samutprakarn.

1.3 The Company engaged in manufacturing of steel pipes and tubes.

**2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS**

**2.1 Financial statements preparation basis**

The Group's financial statements have been prepared in accordance with Thai Financial Reporting Standards (TFRS); guidelines promulgated by the Federation of Accounting Professions (FAP) and the regulation of The Stock Exchange of Thailand (SET) dated January 22, 2001 regarding the preparation and submission of financial statements and reports for the financial performance of the listed companies B.E. 2544. The format of presentation of the financial statements is not significantly different from the Notification of the Department of Business Development regarding the condensed form should be included in the financial statements (No. 2) B.E. 2559 dated October 11, 2016.

The financial statements have been prepared under the historical cost convention, except as transaction disclosed in related accounting policy.

**2.2 Financial reporting standards that became effective in the current year**

During the year, the Company and subsidiary have adopted a number of revised (revised 2018) and new financial reporting standards and interpretations which are effective for the financial statements for the period beginning on or after January 1, 2019. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards. The adoption of these financial reporting standards does not have any significant impact on the Company and subsidiaries financial statements. However, the new standard involves changes to key principles, which are summarized below:

TFRS 15 Revenue from Contracts with Customers

TFRS 15 supersedes the following accounting standards together with related interpretations.

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**Thai Accounting Standards****Contents**

TAS 11 (Revised 2017)	Construction Contracts
TAS 18 (Revised 2017)	Revenue

**Thai Standing Interpretations Committee****Contents**

TSIC 31 (Revised 2017)	Revenue - Barter Transactions Involving Advertising Services
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**Thai Financial Reporting Interpretations Committee****Contents**

TFRS 13 (Revised 2017)	Customer Loyalty Programmes
TFRS 15 (Revised 2017)	Agreements for the Construction of Real Estate
TFRS 18 (Revised 2017)	Transfers of Assets from Customers

Entities are to apply this standard to all contracts with customers unless those contracts fall within the scope of other standards. The standard establishes a five-step model to account for revenue arising from contracts with customers, with revenue being recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model. The Company and subsidiary recognized the effects of the adoption of this financial reporting standards by reclassifying the accounts and had not made retroactive adjustment the comparative financial statements. Thus, cumulative effects of changes in accounting policy is presented in notes 4 to financial statements.

### **2.3 Financial reporting standards that will be effective for the financial on or after January 1, 2020**

The Federation of Accounting Professions issued a number of new which are effective for fiscal years beginning on or after January 1, 2020. These new standards involve changes to key principles, which are summarized below.

#### **Financial reporting standards related to financial instruments**

A set of TFRSs related to financial instruments consists of five accounting standards and interpretations, as follows:

**Thai Financial Reporting Standards****Contents**

TFRIC 7	Financial Instruments: Disclosures
TFRIC 9	Financial Instruments

**Thai Accounting Standards**

TAS 32	Financial Instruments: Presentation
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**Thai Financial Reporting Interpretations Committee****Contents**

TFRIC 16	Hedges of a Net Investments in a Foreign Operation
TFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

These TFRSs related to financial instruments make stipulations relating to the classification of financial instruments and their measurement at fair value or amortized cost taking into account the type of instrument, the characteristics of the contractual cash flows and the Company's business model, calculation of impairment using the expected credit loss method, and hedge accounting. These include stipulations regarding the presentation and disclosure of

financial instruments. When the TFRSs related to financial instruments are effective, some accounting standards, interpretations and guidance which are currently effective will be cancelled.

The management of the Company and subsidiary is currently evaluating the impact of these standards to the financial statements.

#### **Thai Financial Reporting Standards No. 16 : Leases**

TFRS 16 Leases set out the principals of the recognition, measurement, presentation and disclosure of leases, and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is low value. Accounting by lessors is substantially unchanged from TAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles to those used under TAS 17. TFRS 16 supersedes the following accounting standards together with related interpretations.

#### **Thai Accounting Standards                      Contents**

TAS 17 (Revised 2018)                      Leases

#### **Thai Standing Interpretations Committee**

TSIC 15 (Revised 2018)                      Operating Leases - Incentives

TSIC 27 (Revised 2018)                      Evaluating the Substance of Transactions Involving the Legal Form of a Lease

#### **Thai Financial Reporting Interpretations Committee**

TRFIC 4 (Revised 2018)                      Determining Whether an Arrangement Contains a Lease

The Company and subsidiary recognized the cumulative effects of the adoption of this financial reporting standards earlier the effective date which had not made retrospective adjustment of the financial statements.

Thus, cumulative effects of changes in accounting policy is presented in notes 4 to financial statements.

**2.4 The consolidated financial statements** consist of the financial statements of Samchai Steel Industries Public Company Limited which held in its subsidiary shares capital as follows:-

	Incoporated in	Percentage of holding	Type of business	Relationship
Steel Hub Limited	Cambodia	100.00	Manufacturing of Steel pipes	Shareholder, control by director

#### **2.5 Transaction with related companies**

Inter-company transactions have been eliminated in the consolidated financial statements.

**2.6 The consolidated financial statements** have been presented the consolidated financial position and results of operations of Samchai Steel Industries Public Company Limited and its subsidiaries. The usefulness of transaction of consolidated financial statements for other purposes may be limited due to the difference business of those consolidated companies.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **3.1 Income and Expenses Recognition**

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3.1.1 Revenues from sales of goods are recognized as income when the goods are delivered to the buyer less goods returned and sales discount.

3.1.2 Revenue from services is recognized when services are rendered.

3.1.3 Other income and expenses are recognized on an accrual basis.

### 3.2 Cash and cash equivalents

Cash and cash equivalents are cash on hand and deposits at financial institutions which are due within three months net of pledged bank and financial institutions deposits.

### 3.3 Trade and other current receivables

The Company and subsidiaries presented trade and other receivables at net of allowance for doubtful accounts and provides the allowance for doubtful accounts equal to amount of expected uncollectable receivable estimated by collectable experience and current financial position analysis of receivables.

### 3.4 Inventories

The Company and subsidiaries valued its inventories at the lower of cost or net realizable value. Cost of inventories are valued by weighted average method.

### 3.5 Investments in subsidiary

Investments in subsidiary in the separate financial statements are stated at cost less provision for impairment (if any).

### 3.6 Investments

Investment in other companies

Investments in non-marketable securities of other companies are held as general investment, stated at cost.

Impairment of investment will be recorded in the statements of comprehensive income for all type of investment whenever the impairment indicated.

### 3.7 Property, plant and equipment

Land is stated at cost less provision for impairment (if any). Building and equipment are stated at cost less accumulated depreciation and provision for impairment (if any).

Building and equipment are depreciated on the straight-line method over the estimated useful life of the assets as follows :

Building and construction	50 Years
Machinery for 18" steel pipes	50 Years
Machinery and equipment	5, 10, 20 Years
Furniture and office equipment	5 Years
Computer and equipment	3, 5 Years
Vehicles	5 Years

The Company included initial estimated cost of asset dismantlement, removal and restoration as asset costs and subject to depreciation. The depreciation charge has to be determined separately for each significant part of an asset. Furthermore, useful life, the residual value and depreciation method have to be reviewed at least at each fiscal period-end.

### 3.8 Other intangible assets

Intangible assets are amortized by straight-line method as follow :

Computer software	5 Years
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### 3.9 Leasehold rights

#### 3.9.1 Right-of-use assets, land

Lease is recognized as a right-of-use assets and related cash payment at the inception date which stated at cost less accumulated amortization.

Cost consists of the amounts of liabilities under the lease from initial measurement, direct cost incurred and any lease payments made at or before the commencement date, less any lease incentives received.

The subsidiary amortizes the right-of-use assets as expenses on over the lease term by straight-line method.

#### 3.9.2 Prepaid expenses under operating lease

Expenses under operating leases are recognized in the statement of comprehensive income on a straight-line basis over the lease term. Rental potential is recognized in the statement of comprehensive income in the period

The Subsidiary amortizes prepaid expenses as expenses on over the period of the lease.

### 3.10 Impairment of assets

The Company has considered the impairment of assets - property, plant and equipment, investments whenever events or changes indicate that the carrying amount of an asset exceeds its net realizable value (net selling price of the asset under current operations or its utilization value whichever is higher). The Company will consider the impairment for each asset item or each asset unit or each asset unit generating cash flow, whichever is practical.

In case the carrying amount of an asset exceeds its net realizable value, the Company will recognize an impairment loss in the statements of income for the period or decrease appraisal surplus if those assets have been revaluated and recorded as appraisal surplus include in shareholders' equity. The Company will reverse the impairment loss whenever there is an indication that there is no longer impairment or reduction in impairment as "other income" or "appraisal surplus", whichever is practical.

### 3.11 Foreign Currency Transactions

Foreign currency transactions are converted into Thai Baht at the exchange rate prevailing on the transaction date. The outstanding balances of accounts in foreign currency as at the statement of financial position date are converted into Thai Baht by using the exchange rates of Bank of Thailand prevailing at that date.

The Company has policy to hedge the exposure relating to trade accounts receivable and payable which denominated in foreign currencies by entering into forward contract with bank. The difference between the forward contract and fair value at the end of fiscal period will be immediately recorded as gain (loss) on exchange rate.

Gain or loss on exchange is taken into income or expense in the statements of comprehensive income.

### 3.12 Income tax expenses and Deferred tax

Income tax expenses for the accounting period comprise current tax and deferred tax.

#### 3.12.1 Current tax

The Company and subsidiaries recorded income tax to be paid in each year as expenses in the that period and calculated income tax in conditions as prescribed by the Revenue Code.

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### 3.12.2 Deferred tax

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they adjust, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and carry forward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax is recognized directly to shareholders' equity, except to the extent that it relates to items recognized in other comprehensive income or directly in equity.

### 3.13 Earnings per Share

Basic earnings per share is determined by dividing the profit for the period by the weighted average number of common shares issued and paid-up during the period.

### 3.14 Accounting estimates

The preparation of financial statements in conformity with Thai Financial Reporting Standards require management to make estimates for certain accounting transactions, affecting amounts reported in the financial statements and notes related thereto. Subsequent actual results may differ from estimates, resulting accounting adjustment in the next period. Significant accounting estimates are allowance for doubtful accounts, depreciation, and allowance for devaluation of goods and provision for impairment of assets. Other estimates are further described in the corresponding disclosures.

### 3.15 Provisions

The Company and subsidiaries recognize a provision when an entity has a present legal or constructive obligation as a result of a past event. It is probable that an outflow of economic benefits resources will be required to settle the obligation and reliable estimate can be made of the amount of the obligation.

### 3.16 Provident Fund

The Company has established provident fund under the defined contribution plan. The fund's assets are separated entities which are administered by the external fund manager. The Company and employees made contribution into such provident fund. The Company's contribution payments to the provident fund were recorded as expenses in the statements of comprehensive income in the period in which they are incurred.

### 3.17 Employee Benefits

The Company provides for post-employment benefits, payable to employees under the Thai Labor Law. The present value of employee benefit liabilities recognized in the statements of financial position is estimated on an actuarial basis using Projected Unit Credit Method. The calculation was made by utilizing various assumptions about future events. The Company is responsible for the selection of appropriate assumptions. The assumptions used in determining the net period cost for employee benefits include the discount rate, the rate of salary increment, and employee turnover. Any changes in these assumptions will impact the net periodic cost recorded for employee benefits. On an annual basis, the Company determine the appropriate

discount rate, which represents the interest rate that should be used to determine the present value of future cash flows currently expected to be required to settle the employee benefits. In determining the appropriate discount rate, the Company consider the market yield based on Thai government bonds with currency and term similar to the estimated term of benefit obligation.

On April 5, 2019, new Labour Protection Act was published in the Royal Gazette which will become effective after 30 days from the date of its publication in the Royal Gazette onwards which determined the additional rate of severance pay in the case of termination of employment for a terminated employee who has worked for 20 consecutive years or more and shall be entitled to receive payment not less than the last rate of wages for 400 days. The Company has recorded the effects of the aforementioned Labour Protection Act in the financial statements as stated in note 19.

### 3.18 Measurement of fair values

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

The Company and subsidiaries have an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including level 3 fair values, and reports directly to CFO.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of TFRS, including the level in the fair value hierarchy in which such valuation should be classified.

Significant valuation issues are reported to the Company and subsidiaries Audit Committee. When measuring the fair value of an asset or a liability, the Company and subsidiaries use market observable data as fair 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 liabilities, 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 entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company and subsidiaries recognized transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

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#### 4. CUMULATIVE EFFECTS OF CHANGES IN ACCOUNTING POLICY DUE TO THE FINANCIAL REPORTING STANDARDS

As discussed in notes 2 to financial statements, the Company and its subsidiary have adopted TFRS 15 and TFRS 16 in the current year in which the entity chooses to adjust the cumulative effects of changes in accounting policy and has not made retroactive adjustment the comparative financial statements.

4.1 The effects of changes in accounting policy from adoption TFRS 15. Revenue from contracts with customers are as follows:

(Unit : Baht)

	Consolidated and Separate financial statements	
	Previous accounting policy	As reported
The statements of comprehensive income for the year ended December 31, 2019		
Cost of sales	0.00	49,399,488.07
Distribution costs	29,017,231.07	0.00
Administrative expenses	20,382,257.00	0.00
Total	49,399,488.07	49,399,488.07

4.2 The effects of changes in accounting policy from adoption TFRS 16. Leases before the effective date are as follows:

(Unit : Baht)

	Consolidated financial statements	
	Previous accounting policy	As reported
The statements of financial position as at December 31, 2019		
Right-of-use assets, land	0.00	15,728,589.69
Prepaid expenses under operating lease	15,728,589.69	0.00
Total	15,728,589.69	15,728,589.69

Land lease agreements of subsidiary have been reclassified from prepaid leases under operating leases as right-of-use assets, land which have no liabilities under the lease since the subsidiary has already paid under agreement in full.

#### 5. CASH AND CASH EQUIVALENTS

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Cash	378,000.00	328,000.00	378,000.00	328,000.00
Savings deposit	71,511,036.42	74,230,396.30	70,335,546.27	72,702,603.91
Current accounts	15,737,015.77	15,328,690.42	15,712,928.06	14,897,067.60
Total	87,626,052.19	89,887,086.72	86,426,474.33	87,927,671.51

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## 6. TRADE AND OTHER RECEIVABLES

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
6.1 Trade accounts receivable	678,473,206.11	581,528,766.80	678,473,206.11	581,528,766.80
6.2 Other receivables	66,114,021.62	13,579,038.92	64,677,813.07	12,142,830.37
Total	<u>744,587,227.73</u>	<u>595,107,805.72</u>	<u>743,151,019.18</u>	<u>593,671,597.17</u>

6.1 Trade accounts receivable, consist of

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Trade accounts receivable	675,882,446.38	534,331,201.07	675,882,446.38	534,331,201.07
Notes receivable	71,709,530.99	103,707,068.07	71,709,530.99	103,707,068.07
Total	<u>747,591,977.37</u>	<u>638,038,269.14</u>	<u>747,591,977.37</u>	<u>638,038,269.14</u>
Less Allowance for doubtful accounts	<u>(69,118,771.26)</u>	<u>(56,509,502.34)</u>	<u>(69,118,771.26)</u>	<u>(56,509,502.34)</u>
Net	<u>678,473,206.11</u>	<u>581,528,766.80</u>	<u>678,473,206.11</u>	<u>581,528,766.80</u>

As at December 31, 2019 and 2018, the Company has outstanding trade accounts receivable classified by aging as follows:

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
In due	238,517,902.95	272,274,406.95	238,517,902.95	272,274,406.95
Overdue				
Less than 1 month	221,125,564.85	142,946,719.68	221,125,564.85	142,946,719.68
Over 1 - 2 months	91,905,438.19	91,449,265.53	91,905,438.19	91,449,265.53
Over 2 - 3 months	52,078,351.27	28,168,772.47	52,078,351.27	28,168,772.47
Over 3 - 6 months	34,413,302.86	2,742,644.10	34,413,302.86	2,742,644.10
Over 6 - 9 months	1,131,318.56	650,025.00	1,131,318.56	650,025.00
Over 9 - 12 months	6,366,927.00	688,930.66	6,366,927.00	688,930.66
Over 12 months	<u>102,053,171.69</u>	<u>99,117,504.75</u>	<u>102,053,171.69</u>	<u>99,117,504.75</u>
Total	<u>747,591,977.37</u>	<u>638,038,269.14</u>	<u>747,591,977.37</u>	<u>638,038,269.14</u>

6.2 Other receivables, consist of

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Advance payment for goods	47,750,796.66	5,400.00	47,750,796.66	5,400.00
Advance payment for assets	6,848,960.04	9,275,859.85	6,848,960.04	9,275,859.85
Revenue Department receivable	7,333,775.99	0.00	7,333,775.99	0.00
Others	<u>4,180,488.93</u>	<u>4,646,013.53</u>	<u>2,744,280.38</u>	<u>2,861,570.52</u>
Total	<u>66,114,021.62</u>	<u>13,927,273.38</u>	<u>64,677,813.07</u>	<u>12,142,830.37</u>

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## 7. TRADE ACCOUNTS RECEIVABLE TO RELATED PARTY

(Unit : Baht)

	Separate financial statements	
	2019	2018
Trade accounts receivable to related party	150,461,955.80	268,756,309.23
Less Allowance for doubtful account	(31,228,374.46)	0.00
Net	<u>119,233,581.34</u>	<u>268,756,309.23</u>

As at December 31, 2019 and 2018, the Company has outstanding trade accounts receivable classified by aging as follows:

(Unit : Baht)

	Separate financial statements	
	2019	2018
In due	166,463.13	268,756,309.23
Overdue		
Over 2 - 3 months	25,381,996.33	0.00
Over 3 - 6 months	124,913,496.34	0.00
Total	<u>150,461,955.80</u>	<u>268,756,309.23</u>

## 8. INVENTORIES

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Finished goods				
Manufacture	368,667,493.04	515,592,564.74	271,017,966.64	270,282,710.23
Trading	192,197,168.28	119,303,740.19	192,197,168.28	119,303,740.19
Goods in process	43,072,550.56	49,294,594.82	43,072,550.56	49,294,594.82
Raw materials	115,949,302.01	80,142,233.87	115,949,302.01	80,142,233.87
Supplies	15,055,328.69	16,697,597.88	15,055,328.69	16,697,597.88
Goods in transit	0.00	2,883,299.35	0.00	2,883,299.35
Raw materials in transit	36,123,903.22	0.00	36,123,903.22	0.00
Total	<u>771,065,745.80</u>	<u>783,914,030.85</u>	<u>673,416,219.40</u>	<u>538,604,176.34</u>
Less Allowance for devaluation of inventories	<u>(38,438,612.96)</u>	<u>(1,929,297.18)</u>	<u>(27,694,357.31)</u>	<u>(1,929,297.18)</u>
Inventories	<u>732,627,132.84</u>	<u>781,984,733.67</u>	<u>645,721,862.09</u>	<u>536,674,879.16</u>

As at April 5, 2018, the Customs officer has investigated and seized raw materials in the form of steel coil and metal pipe with the estimated carrying value of Baht 58 million caused by the mistaking of the officers regarding the cut off raw materials by using FIFO (First-in First-out) basis. At present, the seized goods as exhibit still being the ownership of the Company which had not been devolved on the State yet.

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## 9. INVESTMENT IN SUBSIDIARY

(Unit : Baht)

Company's name	Proportion of investment	Paid-up share capital		Separate financial statements	
				Cost Method	
		2019	2018	2019	2018
<u>Subsidiary</u>					
Steel Hub Limited	100.00%		112,614,936.59	114289925.73	112,614,936.59
Less Provision for impairment of investment				(72,189,594.21)	0.00
Investment in subsidiary				42,100,331.52	112,614,936.59

As at December 31, 2019, the Company has estimated provision for impairment of investment in a subsidiary for the amount of Baht 72.19 million, which estimated from net assets value of subsidiary at the end of the period.

## 10. OTHER LONG-TERM INVESTMENTS

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Cost of investment :-				
Thai Cold Rolled Steel Sheet				
Public Company Limited	5,000,000.00	5,000,000.00	5,000,000.00	5,000,000.00
Sam Enterprise Co., Ltd.				
- Dissolution				
(equity method)	<u>4,569,111.00</u>	<u>4,569,111.00</u>	<u>4,999,800.00</u>	<u>4,999,800.00</u>
Total	<u>9,569,111.00</u>	<u>9,569,111.00</u>	<u>9,999,800.00</u>	<u>9,999,800.00</u>
Less Provision for impairment				
of investment	<u>(2,750,000.00)</u>	<u>(2,750,000.00)</u>	<u>(3,180,689.00)</u>	<u>(3,180,689.00)</u>
Other long-term investments	<u><u>6,819,111.00</u></u>	<u><u>6,819,111.00</u></u>	<u><u>6,819,111.00</u></u>	<u><u>6,819,111.00</u></u>

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## 11. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

(Unit : Baht)

	Consolidated financial statements								
	Land	Building	Factory building	Machinery and equipment	Furniture and office equipment	Vehicles	Work under construction	Machinery under installation/in transit	Total
Cost : -									
As at January 1, 2018	776,879,711.06	129,619,995.35	774,593,312.89	1,832,120,322.12	35,530,924.31	160,528,714.93	527,500.00	14,308,947.12	3,724,109,427.78
Acquisition	0.00	0.00	84,945.00	2,882,755.00	619,847.20	1,317,289.72	8,855,730.30	8,838,443.62	22,599,010.84
Sale/write off	0.00	0.00	0.00	(43,850.00)	(334,578.04)	(305,000.00)	0.00	0.00	(683,428.04)
Transfer in (out)	0.00	454,722.00	2,794,093.45	8,775,484.07	0.00	0.00	(3,248,815.45)	(8,775,484.07)	0.00
As at December 31, 2018	776,879,711.06	130,074,717.35	777,472,351.34	1,843,734,711.19	35,816,193.47	161,541,004.65	6,134,414.85	14,371,906.67	3,746,025,010.58
Acquisition	0.00	0.00	0.00	285,470.00	771,398.13	6,137,925.19	1,502,862.68	16,840,787.85	25,538,443.85
Sale/write off	0.00	0.00	0.00	(11,100.00)	(155,479.00)	(9,442,638.33)	0.00	0.00	(9,609,217.33)
Transfer in (out)	0.00	0.00	1,054,764.23	17,258,862.35	0.00	0.00	(1,054,764.23)	(17,258,862.35)	0.00
As at December 31, 2019	776,879,711.06	130,074,717.35	778,527,115.57	1,861,267,943.54	36,432,112.60	158,236,291.51	6,582,513.30	13,953,832.17	3,761,954,237.10
Accumulated depreciation : -									
As at January 1, 2018	0.00	(30,152,122.94)	(313,677,255.54)	(1,041,785,777.00)	(32,423,175.42)	(145,820,194.69)	0.00	0.00	(1,563,858,525.59)
Depreciation for the year	0.00	(2,676,250.33)	(12,425,355.73)	(48,826,930.12)	(1,394,555.37)	(7,723,131.42)	0.00	0.00	(73,046,222.97)
Sale/write off	0.00	0.00	0.00	22,071.13	320,679.18	304,999.00	0.00	0.00	647,749.31
As at December 31, 2018	0.00	(32,828,373.27)	(326,102,611.27)	(1,090,590,635.99)	(33,497,051.61)	(153,238,327.11)	0.00	0.00	(1,636,256,999.25)
Depreciation for the year	0.00	(2,721,356.88)	(12,519,384.18)	(48,041,594.62)	(1,157,752.02)	(4,260,768.67)	0.00	0.00	(68,700,856.37)
Sale/write off	0.00	0.00	0.00	4,853.62	138,373.24	9,397,381.26	0.00	0.00	9,540,608.12
As at December 31, 2019	0.00	(35,549,730.15)	(338,621,995.45)	(1,138,627,376.99)	(34,516,430.39)	(148,101,714.52)	0.00	0.00	(1,695,417,247.50)
Net book value : -									
As at December 31, 2019	776,879,711.06	94,524,987.20	439,905,120.12	722,640,566.55	1,915,682.21	10,134,576.99	6,582,513.30	13,953,832.17	2,066,536,989.60
As at December 31, 2018	776,879,711.06	97,246,344.08	451,369,740.07	753,144,075.20	2,319,141.86	8,302,677.54	6,134,414.85	14,371,906.67	2,109,768,011.33
Depreciation in statements of comprehensive income									
For the year ended December 31, 2019									68,700,856.37
For the year ended December 31, 2018									73,046,222.97

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As at December 31, 2019 and 2018, part of property, plant and equipment were used as guarantee against short-term borrowings from financial institutions as stated in note 15 since September 14, 2017.

As at December 31, 2019 and 2018, the Company has cars at cost amount of Baht 9.54 million and Baht 9.85 million respectively under financial lease assets with the local companies as stated in note 17.

As at December 31, 2019 and 2018, property, plant and equipment at cost of Baht 545.87 million and Baht 536.42 million respectively which were depreciated but are still in use.

## 12. OTHER INTANGIBLE ASSETS

	(Unit : Baht)
	Consolidated and Separate financial statements
	Computer software
<b>Cost : -</b>	
As at January 1, 2018	5,436,282.93
Acquisition	0.00
As at December 31, 2018	5,436,282.93
Acquisition	0.00
<b>As at December 31, 2019</b>	<b>5,436,282.93</b>
<b>Accumulated amortization : -</b>	
As at January 1, 2018	(4,993,025.90)
Amortization for the year	(233,624.52)
As at December 31, 2018	(5,226,650.42)
Amortization for the year	(160,835.29)
<b>As at December 31, 2019</b>	<b>(5,387,485.71)</b>
<b>Net book value : -</b>	
As at December 31, 2019	48,797.22
As at December 31, 2018	209,632.51
<b>Amortization in statements of comprehensive income</b>	
For the year ended December 31, 2019	160,835.29
For the year ended December 31, 2018	233,624.52

## 13. BANK DEPOSIT WITH OBLIGATIONS

Bank deposits pledged as collateral for the local bank to issue letters of guarantee to the government agency and the local company as stated in note 27.1.

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## 14. LEASEHOLD RIGHT

### 14.1 Right-of-use assets, land

	(Unit : Baht)
	Consolidated and Separate financial statements
	<b>2019</b>
Right-of-use assets, land	15,728,589.69
	<u>15,728,589.69</u>
Amortization in statements of comprehensive income	
For the year ended December 31, 2019	(435,293.08)

### 14.2 Prepaid expenses under operating lease

	(Unit : Baht)
	Consolidated and Separate financial statements
	<b>2018</b>
Prepaid expenses under operating lease	16,425,058.61
Less Accumulated amortization	(261,175.85)
Prepaid expenses under operating lease	16,163,882.76
Less Current portion of prepaid expenses under operating lease	(348,234.46)
Prepaid expenses under operating lease	<u>15,815,648.30</u>

On June 20, 2015, an overseas subsidiary entered into lease land agreement with an overseas lessor for a period of 50 years. The subsidiary amortized rental on a straight-line basis over the period of lease.

## 15. BANK OVERDRAFTS AND SHORT-TERM BORROWINGS FROM FINANCIAL

	(Unit : Baht)
	Consolidated and Separate financial statements
	<b>2019</b>
	<b>2018</b>
Borrowings from banks	
Bank overdrafts	432.64
Promissory notes	441,000,000.00
Trust receipt	1,073,238,294.09
Total	<u>1,514,238,726.73</u>
	<u>1,455,433,737.54</u>

As at December 31, 2019 and 2018, the Company has credit lines from three local banks total amount of Baht 1,550 million, guaranteed by mortgaging part of land with its construction and machinery of the Company as stated in note 11.

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## 16. TRADE AND OTHER PAYABLES

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Trade accounts payable	403,191,797.91	258,040,015.59	403,191,797.91	255,555,387.51
Accrued expenses	22,998,724.75	22,587,443.93	22,998,724.75	22,587,443.93
Advance payment for goods	65,239,798.90	16,232,372.67	65,239,798.90	16,232,372.67
Assets payable	4,821,372.91	697,177.23	1,287,200.16	697,177.23
Creditors payable	53,966,266.72	53,966,266.72	53,966,266.72	53,966,266.72
Others	4,041,761.03	3,436,335.09	1,351,769.03	2,831,167.48
Total	<u>554,259,722.22</u>	<u>354,959,611.23</u>	<u>548,035,557.47</u>	<u>351,869,815.54</u>

## 17. FINANCIAL LEASE LIABILITIES

The details of assets under financial lease are as follows:

(Unit : Baht)

	Consolidated and Separate financial statements	
	2019	2018
Car	9,537,925.19	9,850,500.00
Less Accumulated depreciation	(3,731,819.53)	(6,526,502.40)
Net book value	<u>5,806,105.66</u>	<u>3,323,997.60</u>

Financial lease liabilities are as follows :

(Unit : Baht)

	Consolidated and Separate financial statements	
	2019	2018
Financial lease liabilities - car	4,764,092.00	2,686,846.00
Less Deferred interest	(219,337.43)	(136,056.91)
Less Current portion of financial lease liabilities	(2,490,450.60)	(1,640,960.06)
Financial lease liabilities	<u>2,054,303.97</u>	<u>909,829.03</u>

## 18. CREDITORS UNDER DEBT RESTRUCTURING AGREEMENT

(Unit : Baht)

	Consolidated and Separate financial statements	
	2019	2018
Loans from bank - promissory notes	0.00	8,024,604.58
Defaulted interest	0.00	6,039,651.15
Total	0.00	14,064,255.73
Less Current portion of long - term liabilities	0.00	(8,024,604.58)
Net	<u>0.00</u>	<u>6,039,651.15</u>

On April 25, 2017, the Company entered into compromise contract in the presence of Sumutsakorn Provincial Court with a domestic bank and agreed to make debt repayment to a bank as follows :

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18.1 The principal under overdrafts agreement amount of Baht per annum of such amount, commenced on July 7, 2016 onwards until the repayment is completed.

18.2 The principal under promissory notes amount of Baht 53.12 per annum of such amount, commenced on July 1, 2016 onwards until the repayment is completed.

The Company has agreed to make repayment as per No.18.1 and 18.2 including principal and interest amount of Baht 56.55 million to the bank by making monthly installment amount not less than Baht 2.50 million. The first installment is commenced on May 31, 2017.

Defaulted interest amount of Baht 6.04 million will be waived by the bank where the Company could completely comply with the condition in agreement.

On April 30, 2019, the Company has fully made the payment in accordance with the agreement that defaulted interest payment amount of Baht 6.04 million was transferred to other income which presented in statements of comprehensive income.

## 19. NON-CURRENT PROVISIONS FOR EMPLOYEE BENEFIT

The Company paid post-employment and retirement according to the regulations of Thai Labour Protection Act B.E. 2541 (1998) to provide retirement benefits to employees based on their right and length of service.

Changes in current value of employee benefit obligations

As at December 31, 2019 and 2018

	(Unit : Baht)	
	Consolidated and Separate financial statements	
	2019	2018
Non-current provisions for employee benefit as at the beginning of the year	3,125,620.00	6,298,007.00
Current service cost	634,447.00	687,828.00
Previous service cost	1,246,284.00	0.00
Interest cost	167,890.00	153,930.00
Loss on remeasurements of defined benefit plans in other comprehensive income during the year	3,126,871.00	0.00
Payment of employee benefit during the year	(2,011,184.35)	(4,014,145.00)
<b>Non-current provisions for employee benefit as at the end of the year</b>	<b>6,289,927.65</b>	<b>3,125,620.00</b>

Employee benefit expense is recognized in the following items in the statement of comprehensive income:

For the year ended December 31, 2019 and 2018

	(Unit : Baht)	
	Consolidated and Separate financial statements	
	2019	2018
Cost of sales	1,380,163.00	121,978.00
Distribution costs	239,823.00	44,750.00
Administrative expenses	428,635.00	675,030.00
Loss on remeasurements of defined benefit plans in other comprehensive income during the year	3,126,871.00	0.00
<b>Total</b>	<b>5,175,492.00</b>	<b>841,758.00</b>

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Principal actuarial assumptions at the reporting date:

	2019 (%)	2018 (%)
Discount rate	2.10 - 1.92 per annum	2.05 per annum
Employee turnover rate	26 - 30 per annum	36 - 42 per annum
Mortality rate	100 of Thai Mortality Table B.E. 2560 (2017)	100 of Thai Mortality Table B.E. 2551 (2008)

### 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.

(Unit : Baht)

	Consolidated and Separate financial statements			
	2019		2018	
	Increase	Decrease	Increase	Decrease
Discount rate (0.50% movement)	(74,651.00)	77,172.00	(104,043.00)	107,345.00
Future salary increases (0.50% movement)	75,071.00	(73,372.00)	68,177.00	(66,655.00)
Employee turnover rate (0.50% movement)	(138,667.00)	143,605.00	(129,753.00)	134,192.00

As stated in notes 3.17 to financial statements, the Company has recorded the effects from additional providing non-current provisions for employee benefit in the amount of Baht 1.25 million in accordance with the new Labor Protection Act.

## 20. INCOME TAX EXPENSES/ DEFERRED TAX

Deferred tax assets and liabilities after offsetting are included in statements of financial position as detailed following :

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Deferred tax assets	78,008,036.83	69,700,309.50	84,253,711.72	69,700,309.50
Deferred tax liabilities	63,120,360.88	59,441,929.68	63,120,360.88	59,441,929.68
<b>Deferred tax assets - net</b>	<b>14,887,675.95</b>	<b>10,258,379.82</b>	<b>21,133,350.84</b>	<b>10,258,379.82</b>

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The movements of the deferred tax assets and liabilities incurred during the year are as follows:

(Unit : Baht)

	Consolidated financial statements					
	January 1, 2018	Recorded as revenue (expense) in Profit or Loss	December 31, 2018	Recorded as revenue (expense) in		December 31, 2019
				Profit or Loss	Other Comprehensive Income	
<b>Deferred tax assets</b>						
Allowance for doubtful accounts	10,325,400.42	976,500.05	11,301,900.47	2,521,853.78	0.00	13,823,754.25
Allowance for devaluation of inventories	512,255.01	(126,395.57)	385,859.44	5,153,012.02	0.00	5,538,871.46
Employee benefit provisions	1,259,601.40	(634,477.40)	625,124.00	7,487.33	625,374.20	1,257,985.53
Provisions for impairment of investment	636,137.80	0.00	636,137.80	0.00	0.00	636,137.80
Taxable loss	31,852,515.03	24,898,772.76	56,751,287.79	0.00	0.00	56,751,287.79
<b>Total</b>	<b>44,585,909.66</b>	<b>25,114,399.84</b>	<b>69,700,309.50</b>	<b>7,682,353.13</b>	<b>625,374.20</b>	<b>78,008,036.83</b>
<b>Deferred tax liabilities</b>						
Depreciation from changes in provisions	55,710,022.01	3,731,907.67	59,441,929.68	3,678,431.20	0.00	63,120,360.88
<b>Total</b>	<b>55,710,022.01</b>	<b>3,731,907.67</b>	<b>59,441,929.68</b>	<b>3,678,431.20</b>	<b>0.00</b>	<b>63,120,360.88</b>
<b>Deferred tax assets (liabilities) - net</b>	<b>(11,124,112.35)</b>	<b>21,382,492.17</b>	<b>10,258,379.82</b>	<b>4,003,921.93</b>	<b>625,374.20</b>	<b>14,887,675.95</b>

The movements of the deferred tax assets and liabilities incurred during the year are as follows:

(Unit : Baht)

	Separate financial statements					
	January 1, 2018	Recorded as revenue (expense) in Profit or Loss	December 31, 2018	Recorded as revenue (expense) in		December 31, 2019
				Profit or Loss	Other Comprehensive Income	
<b>Deferred tax assets</b>						
Allowance for doubtful accounts	10,325,400.42	976,500.05	11,301,900.47	8,767,528.67	0.00	20,069,429.14
Allowance for devaluation of inventories	512,255.01	(126,395.57)	385,859.44	5,153,012.02	0.00	5,538,871.46
Employee benefit provisions	1,259,601.40	(634,477.40)	625,124.00	7,487.33	625,374.20	1,257,985.53
Provisions for impairment of investment	636,137.80	0.00	636,137.80	0.00	0.00	636,137.80
Taxable loss	31,852,515.03	24,898,772.76	56,751,287.79	0.00	0.00	56,751,287.79
<b>Total</b>	<b>44,585,909.66</b>	<b>25,114,399.84</b>	<b>69,700,309.50</b>	<b>13,928,028.02</b>	<b>625,374.20</b>	<b>84,253,711.72</b>
<b>Deferred tax liabilities</b>						
Depreciation from changes in provisions	55,710,022.01	3,731,907.67	59,441,929.68	3,678,431.20	0.00	63,120,360.88
<b>Total</b>	<b>55,710,022.01</b>	<b>3,731,907.67</b>	<b>59,441,929.68</b>	<b>3,678,431.20</b>	<b>0.00</b>	<b>63,120,360.88</b>
<b>Deferred tax assets (liabilities) - net</b>	<b>(11,124,112.35)</b>	<b>21,382,492.17</b>	<b>10,258,379.82</b>	<b>10,249,596.82</b>	<b>625,374.20</b>	<b>21,133,350.84</b>

Tax expenses for the year ended December 31, 2019 and 2018 are summarized as follows:

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
<b>Current tax :</b>				
Tax income for the year	0.00	0.00	0.00	0.00
<b>Deferred tax :</b>				
Deferred tax resulted from temporary differences and reversal of temporary differences	(4,003,921.93)	(21,382,492.17)	(10,249,596.82)	(21,382,492.17)
<b>Tax (income) expenses presented in statements of comprehensive income</b>	<b>(4,003,921.93)</b>	<b>(21,382,492.17)</b>	<b>(10,249,596.82)</b>	<b>(21,382,492.17)</b>

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The amounts of income tax relating to each component of other comprehensive income for the year ended December 31, 2019 and 2018 are summarized as follows:

(Unit : Baht)

	Consolidated and Separate financial statements	
	2019	2018
Income tax relating to gain (loss) on remeasurements of defined benefit plans charged directly to other comprehensive income	(625,374.20)	0.00

Reconciliation between tax (income) expense and multiplication of accounting profit and tax rate used for the year ended December 31, 2019 and 2018 can be presented as follows:

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Accounting profit (loss) before income tax	(190,071,065.00)	(120,142,648.20)	(249,044,156.57)	(107,456,460.76)
Income tax rate	20%	20%	20%	20%
Accounting profit (loss) before income tax multiply with tax rate	(38,014,213.00)	(24,028,529.64)	(49,808,831.31)	(21,491,292.15)
Effects of taxable :				
Prohibited expenses	6,903,090.22	852,205.87	657,415.33	852,205.87
Other expenses for which accounting base differ from tax base	24,221,046.80	1,793,831.60	13,715,207.82	(743,405.89)
Loss	2,886,154.05	0.00	25,186,611.34	0.00
<b>Tax (income) expense presented in statements of comprehensive income</b>	<b>(4,003,921.93)</b>	<b>(21,382,492.17)</b>	<b>(10,249,596.82)</b>	<b>(21,382,492.17)</b>
Effective income tax rate	-	-	-	-

## 21. LEGAL RESERVE

According to the Public Company Limited Act B.E. 2535, the Company is required to appropriate its reserve as a legal reserve not less than 5% of the annual net profit deducted by the total deficit brought forward (if any) until the reserve reach an amount not less than 10% of the authorized share capital. Such legal reserve is not available for dividend distribution.

## 22. TRANSACTIONS WITH RELATED PARTIES

A portion of the Company's assets, liabilities, revenues, and expenses of the Company was derived from its related parties. These companies are related to the Company through the co-shareholders and/or co-directors. The financial statements are reflected the effects of these transactions on the basis determined by the normal course of business with related parties as similar to deal with other parties.

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<u>Related Parties</u>	<u>Relationship</u>	<u>Transaction</u>	<u>Pricing Policy</u>
Steel Hub Limited	Subsidiary	Selling goods	Cost
Chainarong Intertrade Co., Ltd.	The Company's director is a major shareholder and authorized director	Bearing acquisition	Market price

The balance of inter-company transaction are detailed as follows:

(Unit : Baht)

Consolidated financial statements				
	December 31, 2018	Increase	Decrease	December 31, 2019
<b>Chainarong Intertrade Co., Ltd.</b>				
Trade accounts payable	179,123.35	385,501.74	(456,169.89)	108,455.20
Separate financial statements				
	December 31, 2018	Increase	Decrease	December 31, 2019
<b>Steel Hub Limited</b>				
Trade accounts payable	268,756,309.23	175,671.13	(118,470,024.56)	150,461,955.80
Less Allowance for doubtful account	0.00	(31,228,374.46)	0.00	(31,228,374.46)
Trade accounts receivable - net	<u>268,756,309.23</u>			<u>119,233,581.34</u>
<b>Chainarong Intertrade Co., Ltd.</b>				
Trade accounts payable	179,123.35	385,501.74	(456,169.89)	108,455.20

Revenues and expenses transactions with related companies for the year ended December 31, 2019 and 2018 are summarized as follows:

(Unit : Baht)

		Consolidated financial statements		Separate financial statements	
		2018	2017	2018	2017
<b>Steel Hub Limited</b>					
Selling goods	0.00	0.00	0.00	319,177,147.16	
Sell of supplies	0.00	0.00	169,585.20	0.00	
Sell of assets	0.00	0.00	6,085.93	0.00	
Doubtful accounts	0.00	0.00	31,228,374.46	0.00	
<b>Chainarong Intertrade Co., Ltd.</b>					
Acquire of goods and supplies	360,282.00	881,013.00	360,282.00	881,013.00	

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## 23. EXPENSES ANALYZED BY NATURE

The significant expenses analyzed by nature for the year ended December 31, 2019 and 2018, are detailed as follows:

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
Changes in finished goods and work				
in process	93,881,242.87	120,955,096.05	(64,523,340.89)	366,264,950.56
Raw materials and consumables used	1,091,884,959.70	1,474,963,670.89	1,091,772,179.22	1,474,963,670.89
Import duty on raw materials	0.00	239,190.95	0.00	239,190.95
Employee benefit expenses	125,010,386.78	138,311,207.09	124,672,127.22	137,870,124.66
Management benefit expenses	10,888,214.00	13,440,333.00	10,888,214.00	13,440,333.00
Depreciation and amortization	41,597,574.38	43,231,622.61	35,576,127.90	42,074,412.39
Depreciation - non-operating machinery	33,285,563.76	31,205,435.10	33,285,563.76	31,205,435.10
(Reversal) Loss on devaluation of				
inventories	36,509,315.78	(631,977.86)	25,765,060.13	(631,977.86)
Amortized prepaid land lease	0.00	261,175.85	0.00	0.00
Amortized right-of-use - land	435,293.08	0.00	0.00	0.00

## 24. DIRECTORS' REMUNERATION

Directors' remuneration represents the benefits paid to the directors of the Company in accordance with Section 90 of the Public Company Limited Act, exclusive of salaries and related benefits payable to executive directors.

## 25. MANAGEMENT BENEFIT EXPENSES

Management benefit expenses are salaries, remunerations and other benefits to the executive directors, in accordance with the definitions of the Office of the Securities and Exchange Commission. Executive directors under definition includes a chief executive officer, the next four executive levels immediately below that chief executive officer and all persons in positions comparable to these fourth executive levels including all persons in positions comparable to management in accountant and finance who are manager and high positions.

## 26. PROVIDENT FUND

The fund is contributed by deducting the employees' salary at the rate of 2 - 4% and additional contributed by the Company at the rate of 2 - 4%. The fund is set up for the exclusive benefit of the employees and managed by a company established for such purpose.

As at December 31, 2019 and 2018, the Company paid contributions to the fund amounted to Baht 0.80 million and Baht 0.93 million respectively.

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## 27. COMMITMENT AND CONTINGENT LIABILITIES

27.1 As at December 31, 2019 and 2018, the Company has commitment from three local banks issuance letter of guarantee to the government agencies and the private companies, totalling Baht 71.54 million and Baht 74.44 million respectively.

27.2 As at December 31, 2019 and 2018, the Company has opened letter of credit in amount of Baht 7.90 million and Baht 12.85 million respectively to purchase finished goods and raw materials from overseas.

## 28. FINANCIAL INFORMATION SEGMENT

The financial information is separated in geographical segment (selling of steel pipes and tubes) based on the operating location for the year ended December 31, 2019 and 2018 as follows:

(Unit : Million Baht)

For the year

	Consolidated financial statements					
	As at December 31, 2019			As at December 31, 2018		
	Domestic sales	Overseas sales	Total	Domestic sales	Overseas sales	Total
Revenues from sales	3,545	134	3,679	3,159	65	3,224
Cost of sales	(3,520)	(169)	(3,689)	(3,029)	(73)	(3,102)
Gross profit (loss)	25	(35)	(10)	130	(8)	122
Other income			13			3
Selling expenses			(22)			(56)
Administrative expenses			(125)			(144)
Finance costs			(46)			(45)
Income tax income (expenses)			4			21
Profit (loss) for the year			(186)			(99)
Property, plant and equipment			2,160			2,206

## 29. DISCLOSURE AND PRESENTATION OF FINANCIAL INSTRUMENTS

The Company has no policy to hold financial instruments for speculation or trading.

### 29.1 Accounting Policy

The significant accounting policies and methods adopted including the basis of recognition and measurement relating to each class of financial assets and liabilities have been disclosed as stated in note 3.

### 29.2 Credit Risk

Credit risk derives from failure by counterparties to discharge their obligations resulting in financial loss to the Company. Financial assets shown in statement of financial position at the book value deducted by allowance for doubtful accounts is maximum value of credit risk.

For off-statement of financial position, the Company expect that the accounts of credit risk is immaterial.

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### 29.3 Interest Rate Risk

Interest rate risk derives from changes in interest rate resulting in financial loss to the Company in the current and following period.

### 29.4 Fair Value of Financial Instruments

Financial assets shown in statements of financial position consist of cash and cash equivalents, trade and other receivables and other receivables from related party. Financial liabilities shown in statements of financial position consist of bank overdrafts and short-term loans from financial institutions, trade and other payables, trade and other payables from related parties and financial lease liabilities.

The book value of financial assets and liabilities are closed to their fair value. The management believes that there is no material risk from financial instruments.

### 29.5 Exchange rate risk

The Company exposed to foreign currency exchange rate risk related to assets and liabilities denominated in foreign currencies.

As at December 31, 2019 and 2018, assets and liabilities denominated in foreign currencies without forward contract are summarized as follows:

	Separate financial statements			
	Assets		Liabilities	
	2019	2018	2019	2018
US Dollar	5,034,613.97	8,348,439.67	2,013,902.24	1,712,544.93

## 30. ADDITIONAL DISCLOSURE OF CASH FLOWS INFORMATION

Significant non-monetary transactions for the year ended December 31, 2019 are as follows:

In 2019, the Company has recorded financial lease liabilities amount of Baht 4.62 million, prohibited input tax amount of Baht 0.30 million, and property, plant and equipment amount of Baht 4.32 million.

## 31. CAPITAL MANAGEMENT

The objective of financial management of the Company is to preserve the continuity of operation as a going concern and appropriate capital structure.

As at December 31, 2019 and 2018, the Company has debt to equity ratio as summarized follows:

	Separate financial statements	
	2019	2018
Total debt to equity ratio	1.19	0.96

## 32. APPROVAL OF FINANCIAL STATEMENTS

These financial statements have been approved and authorized for issue by the Company's Board of directors on February 29, 2020.

(Sign) ..... Authorized Director  
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Appendix 1 : Information on directors and managements as at December 31, 2019

Name-Surname Age / Position	Education / Training	Family Relationship	Percentage of Shareholdings	Experience	
1. Mr. Thongchai Leekanchanakorn Age : 67 Director / Chairman of Board of Directors / Chairman of Executive Board / Authorized director	- B.S. (Electronic), Chiyoda Collage, Tokyo, Japan - Course Director Accreditation Program (DAP) - IOD	Father of Mr. Varunchai and Mr. Varoonchai Leekanchana-korn	19.01-	2018–Present  2010–Present	- Director and Chairman of Board of Directors Samchai Steel Industries PCL. - Director and Chairman of Executive Board Samchai Steel Industries PCL.
2. Mr.Wattana Suthipinijtham Age : 74 Director / Independent Director / Vice Chairman of Board of Directors	- B.A. Accounting (honors), Thammasat University - M.B.A. New York University - Course Director Accreditation Program (DAP) - IOD	-None-	-None-	2004- Present  2015- Present	- Vice Chairman of Board of Directors Samchai Steel Industries PCL. - Independent Director / Member of Audit and Risk Management Committee Grand Asset Hotels and Property Pcl.
3. Mr.Pornchai Kittipanya-ngam Age : 73 Director / Independent Director / Chairman of Audit Committee	- B.B.A. (Accounting) Thammasat University - Course Director Accreditation Program (DAP) – IOD	-None-	-None-	2004- Present  2018- Present  1972- Present	- Chairman of Audit Committee Samchai Steel Industries PCL. -Independent Director / Chairman of Audit Committee Grand Asset Hotels and Property Pcl. - Managing Director Bunchikij Co.,Ltd. (Audit Firm)
4. Mr.Thawatchai Chinthammitr Age : 65 Director	- B.B.A. Human Resource Management, Assumption University - Course Director Accreditation Program (DAP) - IOD	-None-	-None-	2007- Present  1998- Present	- Director Samchai Steel Industries PCL. - Manager Chainarong Intertrade Co.,Ltd. (Bearing Distributor)



Name-Surname Age / Position	Education / Training	Family Relationship	Percentage of Shareholdings	Experience	
5. Mr.Prichar Harnhathya Age : 72 Director / Independent Director / Member of Audit Committee	- B.B.A. (Accounting) , Thammasat University - M.B.A. (Finance), Columbia University - Course Director Accreditation Program (DAP) - IOD	-None-	-None-	2004- Present  2005– Present 1992- 2002	- Member of Audit Committee Samchai Steel Industries PCL. - Director Andaman Resort Co.,Ltd. - Assistant President Eastern Asia University - General Director, The Office of Managing Director, UOB Ratanasin Bank
6. Mr.Voravit Chotikasophon Age : 72 Director / Independent Director / Member of Audit Committee	- B.B.A. (Economic) , Thammasat University - Course Director Accreditation Program (DAP) - IOD	-None-	-None-	2017- Present  1987 - 1997	- Member of Audit Committee Samchai Steel Industries PCL. - Senior Sale Manager Bangkok Metal Industry Co.,Ltd. (Copper seamless pipe manufacturing company)
7. Mr. Banpot Prasertsukskool Age : 61 Director / Executive Director / Authorized director	- B.A. Political Science (Public Administration) , Thammasat University. - Course Director Accreditation Program (DAP) - IOD	-None-	-None-	2013- Present  2008 - 2013 2002 - 2008	- Director / Executive Director Samchai Steel Industries PCL. - Managing Director Samchai Steel Industries PCL. - Assistant Managing Director Samchai Steel Industries PCL.
8. Mr. Varoonchai Leekanchanakorn Age : 37 Director / Managing Director	B.B.A. Finance, UC Berkeley University , U.S.A.	Son of Mr. Thongchai Leekanchanakorn	14.35%	2018- Present 2011–Present  2010 – 2011  2007 – 2010 2006 – 2007	- Managing director Samchai Steel Industries PCL. - Vice Managing director Samchai Steel Industries PCL. - Finance Care Taker Samchai Steel Industries PCL. - Associate Officer, Deutsche Bank. - Analyst Officer, Citibank

Name-Surname Age / Position	Education / Training	Family Relationship	Percentage of Shareholdings	Experience	
9. Mrs. Vasana Lamatipanont Age : 67 Vice Managing director	- Diploma (Accounting) Bangkok Accounting Collage	Sister of Mrs. Vanalee Leekanchanakorn, Mr.Thongchai's wife	-None-	2011- Present  2009 – 2011  2004– Present	- Vice Managing Director Samchai Steel Industries PCL. - Assistant Managing Director Samchai Steel Industries PCL. - Individual Business (Jeweler)
10. Mr.Waranwut Watthana-anun Age : 63 Vice Managing director	- Bachelor of Science in Economics Kasetsart University - Master of Business and Administration (MBA), Financial Management, NIDA	-None-	-None-	2011- Present  2005-2011  1997-2005	- Vice Managing director Samchai Steel Industries PCL. - Assistant Managing director Samchai Steel Industries PCL. - Assistant Finance Manager Inter Steel Industries Co.,Ltd. (Steel Pipe Manufacturer)
11. Mrs.Tanyanaun Duangraksa Age : 57 Assistant Managing director	- Secondary School	-None-	-None-	2011-Present  1997 - 2011	- Assistant Managing director Samchai Steel Industries PCL. - Sale Manager Samchai Steel Industries PCL.
12. Ms. Yupaporn Noppakaudrittidej Age : 55 Assistant Managing director	- Diploma (Management) Rajabhat Rajanagarindra University	-None-	-None-	2011- Present  1997 - 2011	- Assistant Managing director Samchai Steel Industries PCL. - Sale Manager Samchai Steel Industries PCL.



Name-Surname Age / Position	Education / Training	Family Relationship	Percentage of Shareholdings	Experience	
13. Ms. Srisamorn Kuyingrat Age : 66 Cost Account Manager	- Diploma (Accounting) Bangkok Accounting Collage	-None-	-None-	2003–Present  1997 - 2003	- Cost Account Manager Samchai Steel Industries PCL. - Assistant Account Manager FTS Products Co.,Ltd. (Steel Pipe Manufacturer)
14. Ms. Saranjit Sirithanarattanakul Age : 57 Account Manager	- Bachelor of Accounting Faculty of Business Administration Ramkhamhaeng University	-None-	-None-	2018–Present  2002 - 2017	- Account Manager Samchai Steel Industries PCL. - Accountant Lek Nam Nueng Hardware Co.,Ltd.

Appendix 2 : Information on Position of Directors and Managements as at December 31, 2019

Name		Samchai Steel Industries PCL.	Chainarong Intertrade Co.,Ltd.	Steel Hub Company Limited
1. Mr. Thongchai	Leekanchanakorn	/,X,O,///		
2. Mr. Wattana	Suthipinijtham	/,D		
3. Mr. Pornchai	Kittipanya-ngam	N, /,//		
4. Mr. Thawatchai	Chinthamitr	/	/,IV	
5. Mr. Prichar	Harnhathya	/,//		
6. Mr. Voravit	Chotikasophon	/,//		
7. Mr. Banpot	Prasertsukskool	/,///,V		
8. Mr. Varoonchai	Leekanchanakorn	/,///,IV		/ , III , I V
9. Mrs. Vasana	Lamatipanont	V		
10. Mr. Waranwut	Watthana-anun	V		
11. Mrs. Tanyanun	Duangraksa	V		
12. Ms. Yupaporn	Noppakoadritded	V		
13. Ms. Srisamorn	Kuyingrat	V		
14. Ms. Saranjit	Sirithanarattanakul	V		

Remark:

X = Chairman of Board of Directors

/ = Director

N = Chairman of Audit Committee

D = Vice Chairman of Board of Directors

// = Member of Audit Committee

IV = Managing Director

O = Chairman of Executive Board

/// = Executive Director

V = Management