



# Solutions for Customer's Success

ANNUAL REPORT 2016  
รายงานประจำปี 2559



บริษัท ค้าเหล็กไทย จำกัด (มหาชน)  
THAI METAL TRADE PUBLIC COMPANY LIMITED

# CONTENTS

## สารบัญ

08

ข้อมูลสำคัญทางการเงิน

103 FINANCIAL HIGHLIGHTS

11

โครงสร้างผู้ถือหุ้น/  
นโยบายการจ่ายเงินปันผล

106 SHAREHOLDERS STRUCTURE/  
DIVIDEND POLICY

18

ปัจจัยความเสี่ยง

113 RISK FACTORS

33

รายงานการปฏิบัติตาม  
หลักการกำกับดูแลกิจการที่ดี

128 REPORT ON GOOD CORPORATE  
GOVERNANCE

49

รายการระหว่างกัน

144 CONNECTED TRANSACTIONS

56

รายงานความรับผิดชอบ  
ของคณะกรรมการบริษัท  
ต่อรายงานทางการเงิน

151 REPORT OF DIRECTORS RELATING  
TO RESPONSIBILITY FOR  
FINANCIAL STATEMENTS

09

สารจากประธานคณะกรรมการบริษัท

104 MESSAGE FROM CHAIRMAN  
OF THE BOARD

12

นโยบายและภาพรวมการประกอบธุรกิจ

107 POLICY AND  
BUSINESS OVERVIEW

20

โครงสร้างการจัดการ

115 MANAGEMENT STRUCTURE

43

ความรับผิดชอบต่อสังคม

138 CORPORATE SOCIAL  
RESPONSIBILITY

52

การวิเคราะห์และคำอธิบายของฝ่ายบริหาร

147 MANAGEMENT DISCUSSION  
AND ANALYSIS

57

รายงานของผู้อนุมัติบัญชีรับอนุญาต  
และงบการเงิน

152 AUDITOR'S REPORT AND  
FINANCIAL STATEMENTS

10

ข้อมูลทั่วไปของบริษัท

105 CORPORATE PROFILE

14

ลักษณะการประกอบธุรกิจ

109 NATURE OF BUSINESS

28

ประวัติกรรมการและผู้บริหาร

123 BOARD OF DIRECTORS  
AND EXECUTIVES

48

การควบคุมภายในและ

การบริหารจัดการความเสี่ยง

143 INTERNAL CONTROL AND  
RISK MANAGEMENT

54

รายงานคณะกรรมการตรวจสอบ

149 REPORT OF  
THE AUDIT COMMITTEE

101

ค่าตอบแทนจากการสอบบัญชี

188 AUDIT FEE





# Total Solution

ทีเดียว... ที่ TMT นำความหลากหลาย  
ของผลิตภัณฑ์เหลื้กมารวมไว้ในทีเดียว  
จึงสามารถตอบสนองความต้องการของลูกค้า  
ที่หลากหลาย ไม่ว่าจะเป็นสินค้าที่แตกต่างกันตาม  
ลักษณะงาน การใช้งานที่ไม่พร้อมกัน  
การรวบรวมสินค้าเพื่อจัดส่งไปพร้อมกัน  
ที่จุดหมายเดียวกัน หรือ จุดหมายปลายทาง  
ที่แตกต่างกัน

# Services Innovation

TMT ไม่เคยหยุดนิ่งที่จะสร้างสรรค์การให้บริการตามความต้องการที่เฉพาะเจาะจงสำหรับลูกค้าแต่ละราย TMT เข้าใจดีว่าลักษณะธุรกิจของลูกค้ามีความแตกต่างกัน จึงต้องการการดูแลที่พิถีพิถัน เพื่อช่วยให้การทำงานของลูกคามีประสิทธิภาพมากขึ้น ลดการทำงานที่ซ้ำซ้อน และยังคงคุณภาพที่เป็นเลิศตามแบบฉบับของลูกค้า

INNOVATION

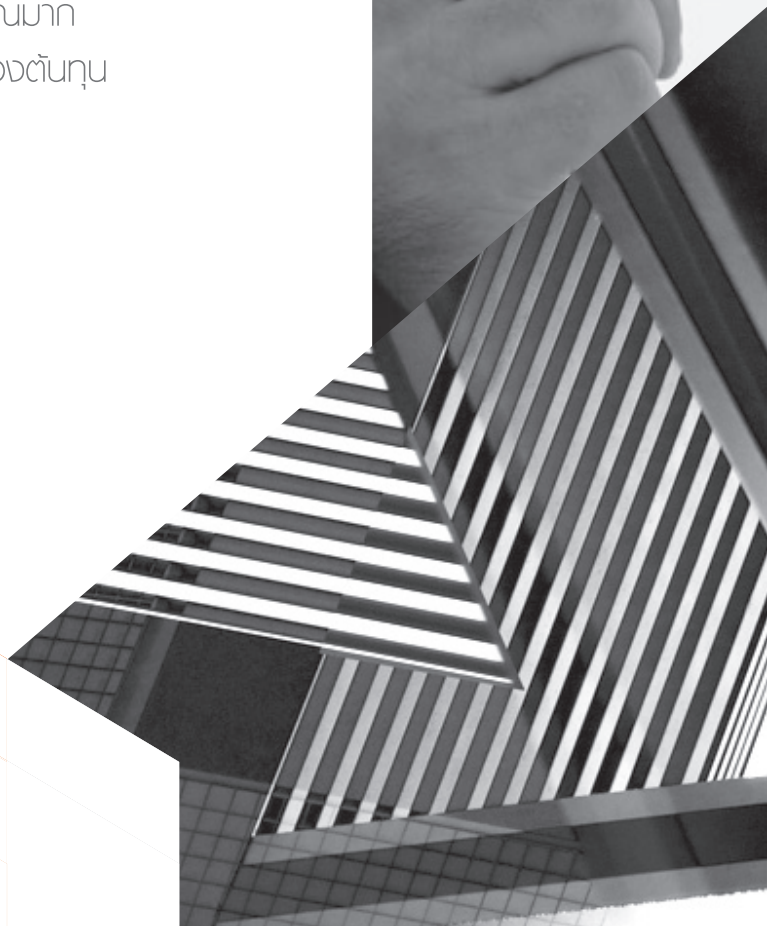






# Integrated Value

ความสำเร็จของลูกค้าไม่ได้มีเพียงการส่งมอบสินค้า  
ตามความต้องการเท่านั้น TMT ยังคงคำนึงถึงคุณค่าทางธุรกิจ  
และประโยชน์ในการใช้งานของลูกค้า เพื่อช่วยให้ลูกค้ามั่นใจ  
ต่อความเที่ยงตรงของมาตรฐานคุณภาพ  
มีความพอเพียงของสินค้าพร้อมใช้งานได้ตามต้องการ  
โดยไม่จำเป็นต้องเก็บสำรองสินค้าคงคลังไว้ในปริมาณมาก  
และไม่ต้องกังวลกับความผันผวน ความไม่แน่นอนของต้นทุน







# Sustainability for ALL

ความยั่งยืนทางธุรกิจไม่ได้เกิดจากความสำเร็จ  
ในการจัดการทางธุรกิจแต่เพียงอย่างเดียว  
สิ่งสำคัญคือการส่งมอบคุณค่าร่วมกัน  
ต่อลูกค้า คู่ค้า พันธมิตร หุ้นส่วนทางธุรกิจ  
และสังคม TMT ตระหนักถึงความรับผิดชอบต่อ  
ที่จะดำเนินธุรกิจอย่างเป็นธรรมกับทุกฝ่าย  
ควบคู่ไปกับการสร้างสรรค์คุณค่า  
และประโยชน์ร่วมกัน







# Financial Highlights

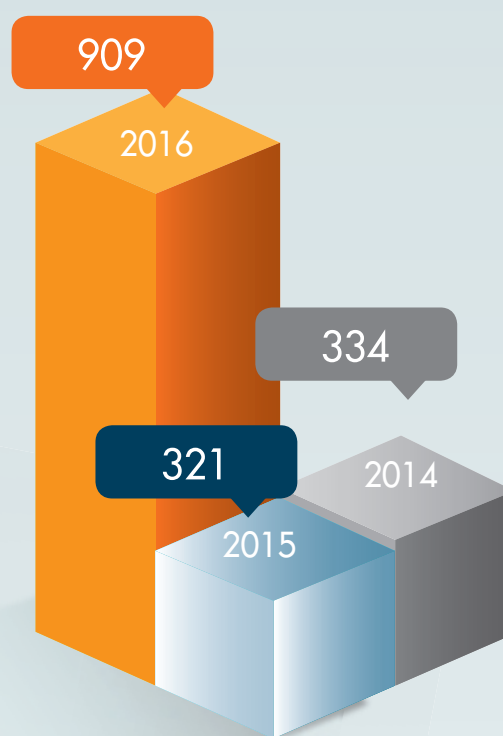
As at 31 December 2016



**Sales Revenue**  
(Baht : million)



**Total Assets**  
(Baht : million)



**Net profit**  
(Baht : million)

Summary	2016	2015	2014
Sales Revenue	12,465	11,569	12,251
Gross Profit	1,584	833	869
Net Profit	909	321	334
Total Assets	6,079	4,620	5,245
Total Liabilities	3,246	2,413	3,076
Shareholder's Equity	2,833	2,207	2,169
Paid-up Capital	435	435	435

Financial Ratio	2016	2015	2014
Gross Profit Margin	12.71%	7.20%	7.09%
Net Profit Margin	7.29%	2.77%	2.73%
Return on Assets (ROA)	14.95%	6.94%	6.38%
Return on Fixed Assets (ROFA)	50.74%	20.63%	21.84%
Return on Equity (ROE)	32.08%	14.53%	15.41%
Current Ratio	1.25	1.25	1.20
Debt to Equity Ratio	1.15	1.09	1.42
Collection period (Day)	53	59	67
Inventory turnover period (Day)	41	36	49
Book Value per share (Baht)	6.51	5.07	4.98



## Message from Chairman of the Board

2016 was the most remarkable year of TMT as we have achieved the new highest record of both sales volume and net profit. Our excellent performance reflected high competency and good management amid an uncertainty that prevailed broadly in global steel industry. Despite the flat economy and intensive competition, TMT still was able to increase the sales volume to 650,000 metric tons of total steel, or up 14 percent comparing to the previous year. This achievement was driven by our determination to deliver not just only good quality products and full scope of services, but also appropriate solutions that fit effectively our customers for their specific applications and business objectives. Our relationship with the customers was developed gradually through the business engagement, work experiences and strong commitment which were proven apparently by the increasing numbers and repeating orders we received.

During the past few years, the steel market was challenged by unstable world economy that was being weak and volatile resulted in low consumption for steel worldwide. The attempt of reducing over capacity became a big issue for most steel mills all over the world, especially China where represented the world biggest steel production country in the last decade. So much effort was taken by many mills to stop the price falling down further that may severely hurt the whole steel industry at the end. Until the second quarter of 2016, the major Chinese steel mills had succeeded to cut the steel production capacity to some extent to strengthen the steel price from over a year weakening. Consequently, the success of production cut finally led to some improvement in steel market price recently that, somehow, benefited to TMT higher profit margin.

Nevertheless, Thailand economy recently showed a modest sign of recovery but at a slow pace, driven by the government spending and growth from service sectors. However, the general investment outlook was still at low level although the government was trying hard to initiate many promotions in order to encourage additional investment from the private sectors to stimulate the economy, but the figure was likely unpleasant. This could explain why the steel consumption in Thailand did not improve much due to the current situation. Despite the gloomy economic environment, TMT had performed exceptionally with an outstanding result. Our achievement was laid by trust and reliability received from the customers. Differentiation was one of our key success factors that enable us to become a leader in this industry. We offered those solutions that brought value to our customers, apart from good products, effective delivery or providing comprehensive services. By having long time experiences with the customers, we deliberately focused on individual concerns offering them better practices for the purpose of eliminating difficulties and increasing productivity. We did our best to help our customers improving their efficiency by ensuring the material availability, managing just in time service, providing customized quality control protocol, reducing transportation cost and fast delivery system.



**Chai Jroongtanapibarn**  
Chairman of the Board

With a good collaboration with the suppliers, we encouraged the first tiered steel mills to participate closely into the valued chain activities in order to understand deeply the rapid changes in customer behavior and their requirements. As all parties came together to deliver full engagement with an intention to develop effectiveness of the valued chain system. Our intention was to improve product quality including initiating new applications or any business models that could effectively support our customer activities and growth.

TMT has been conducting our business based on the sustainable development approach under a good corporate governance principle. As being a leader in the steel industry, our commitment is to run the business with the awareness of all stakeholder interests. The board of directors and management team are well aware of operating the business with the most transparency to be certain that good and adequate controlling system has been adopted throughout all level of organization. Our operation is being supervised and directed under good environment, clean and safe for everyone, not just only for our people but the communities all around. Finally, the Board of Directors, on behalf of all TMT management and staffs, wishes to express our sincere appreciation to all shareholders, suppliers, alliances and, most of all, our valued customers for their continuing supports which lead to TMT success.

# Corporate Profile



Thai Metal Trade Public Company Limited

Stock Code : TMT

Type of Business : Integrated Steel Service Center

Head Ofce : 179 Bangkok City Tower

22<sup>nd</sup> Floor, South Sathorn Rd., Thungmahamek,

Sathorn, Bangkok 10120 Thailand

Tel : 02 685 4000

Fax : 02 670 9090-2

Registered Capital  
Baht 436,000,000

Issued and Paid-up Capital  
Baht 435,379,017

Registration Number  
0107547000800

Rama III Plant and Distribution Center :

129, 131 Rama III Rd., Bangkholaem, Bangkok 10120

Wangnoi Plant and Distribution Center :

332-333 Moo 5, Paholyothin Rd., Lamsai, Wangnoi, Ayutthaya 13170

Investor Relations : Tel : 02 685 4000 ext. 6002

E-mail : [ir@thaimetaltrade.com](mailto:ir@thaimetaltrade.com)

Designated Directors as : Fax : 02 670 9093

Shareholders' representative E-mail : [ind\\_dir@thaimetaltrade.com](mailto:ind_dir@thaimetaltrade.com)

Home page : [www.thaimetaltrade.com](http://www.thaimetaltrade.com)

## References

### Share Registrar

Thailand Securities Depository  
Company Limited  
93 SET Building, Ratchadaphisek Rd.,  
Dindaeng, Bangkok 10400  
Tel : 02 009 9999  
Fax : 02 009 9991

### Auditor

PricewaterhouseCoopers ABAS  
Company Limited  
179, 15<sup>th</sup> Floor Bangkok City Tower,  
South Sathorn Rd., Thungmahamek,  
Sathorn, Bangkok 10120  
Tel : 02 344 1000  
Fax : 02 286 5050

### Legal Consultant

Seri Manop and Doyle  
Company Limited  
21 Soi Amnuaiwat, Suthisan Rd.,  
Samsennok, Huaikhwang,  
Bangkok 10310  
Tel : 02 693 2036  
Fax : 02 693 4189



## Shareholders Structure / Dividend Policy

The Top 10 Shareholders of the Company as of March 7, 2016\*

No.	Shareholders	Number of shares	Percentage of shareholding
1	Mr. Soon Tarasansombat	166,380,000	38.21
2	Mr. Chamnan Tarasansombat	36,556,000	8.40
3	Mrs. Patitta Tarasansombat	35,416,400	8.13
4	Mr. Komsan Tarasansombat	33,046,675	7.59
5	Mrs. Pornjit Tarasansombat	30,000,000	6.89
6	Mrs. Panlapa Tarasansombat	18,690,400	4.29
7	Mr. Paisal Tarasansombat	18,000,000	4.13
8	Mr. Paisal Chartpitak	5,635,200	1.29
9	RAMKHAMHAENG HOSPITAL PUBLIC COMPANY LIMITED	3,584,200	0.82
10	Mr. Somsak Tomorakul	2,000,181	0.46
11	Other Shareholders	86,069,961	19.77
	Total	435,379,017	100.00

Source: Thailand Securities Depository Company Limited

\* Closing date for the rights to attend the Annual General Meeting of Shareholders for the year 2016

## Dividend Policy

The Company dividend payout policy is to pay not less than 50 percent of its net profit after legal reserved deduction, depending on the company's financial position, operating results and future business plans.

History of Dividend payment last 5 years as follows.

Performance Year	Net Profit (Baht)	Net Profit per share (Baht)	Dividened per share (Baht)	Dividened Yield (%)	Total Dividened Payment (Baht)	Dividened Payout ratio (%)
2015	320,632,886	0.74	<b>0.65</b>	6.91%	282,996,361.05	88.26%
2014	334,380,090	0.77	<b>0.65</b>	6.13%	282,996,361.05	84.63%
2013	440,314,413	1.02	<b>0.80</b>	7.02%	348,303,213.60	79.10%
2012	421,003,949	0.99	<b>0.80</b>	6.11%	342,900,461.60	81.45%
2011	80,812,068	0.19	<b>0.15</b>	2.83%	63,750,000.00	78.89%

### Providing Structure of your imagination

This vision statement is what we believe in, and we strive every single day to live up to this commitment. To be different, we challenge ourselves at all times to come up with new creative ideas to provide better solutions to customers and to keep improving our business functions, in order to respond to the ever-changing demand.

- ▢ We provide the structures for architects to materialize great design concepts...
- ▢ We provide the structures for customers to achieve their success...
- ▢ We provide the structures for countless industries to thrive...
- ▢ We provide the structures for the Thai economy to prosper...
- ▢ all for a strong, sustainable growth of Thai society today, tomorrow and beyond.

“Not just only adding more value to our products and services, it is also our strong commitment to support customers in achieving their success.”

Positioned as a leading integrated steel solution provider, TMT is geared up and ready to provide an all-inclusive steel-related service to our customers. Besides supplying quality products, we offer consultation, business solutions and material planning. These are aimed at creating greater values in order to benefit our customers. In other

words, we are transforming a conventional steel business into a fully integrated steel solution.

TMT is operated based on a sophisticated management system which has proven to be capable, efficient and able to meet all requirements. In addition to these comprehensive facilities, technologies, and good quality control system, we are also concerned regarding to social and environmental responsibilities. Furthermore, the company has an excellent logistics system in place which offers reliability, inventory management and on time delivery to our customers. All of the above implementations are further complemented by a high performing information system and a hi-speed data communication network to ensure that all customers' requirements will always be treated with great care and fulfilled.

### History and Background

Mr. Soon Tarasansombat founded “Soon Huat Iron Work Limited Partnership” in 1976. The business had

initially been focused on only steel trading until 1986, when it was transformed to “Soon Huat Steel Co., Ltd.”. The company eventually was reformed to a new business model in 1992 as “Thai Metal Trade Company Limited”.

Thai Metal Trade Company Limited (TMT) was established on April 17, 1992, with an initial paid up capital of 5 Million Baht. The Company was positioned as a fully integrated steel service center. Being able to cover a full range of steel products, expertise in steel trading, a manufacturing and an excellent distribution system, plus proactive marketing strategies, Thai Metal Trade was rapidly on its way to guarantee long-term growth.

On September 1, 2004, TMT became a public company and listed company on the Stock Exchange of Thailand since February 18, 2005. This was a bold step forward to enhancing creditability, widening financial instruments and greater business opportunities, and reinforcing sustainable growth.

The Company's first plant and distribution center is located on Rama III Road, and the substantial investment of over One Billion Baht has been spent on a plot of 135 rai compound in Ayutthaya, to increase capacity of warehouse and capacity.

The Company's present paid-up capital was Baht 435,379,017. We are now one of the Thailand's largest integrated steel solution provider whose business priority lies on increasing the value of our partnership with customers, rather than on mere product sales.

**Significant of changing and development**, in 2016 as follows:

A new pipe machine was completed in the fourth quarter of 2016 providing additional pipe production's capacity 36,000 tons per annual.

A new 11,253 square meters warehouse is building and expects to complete within 2<sup>nd</sup> quarter of 2017 which will facilitate for additional 6,000 tons inventory space.

17 plots of Land with area of 199 rai 82 square wah, connecting to the existing Wangnoi plant, was already purchased in 2016 to support future business expansion.

Developed new software for supply chain system by deploying a “Warehouse Management Systems II” application to monitor the inventory movements in warehouse and Logistics Management for efficiency improvement.

TMT received the CSR-DIW Continuous Award 2016 from Department of Industrial Work. The awards and certificates were given to the Company that has developed and maintained the Corporate Social Responsibility activities continuously which was the third consecutive year.

TMT has been certified standard of Carbon Footprint from Thailand Greenhouse Gas Management Organization (Public Organization) as to be a part of private organization to reduce the greenhouse gases emission from all activities directly or indirectly. This will benefit to the efficiency of power utilization and environmental protection which was the second consecutive year.

TMT was selected into 2016 ESG100 Company Universe and received the Certificate from Thaipat Institute which was given to the Company that has performed outstanding Environmental, Social and Governance operation.

TMT achieved the Certificate from project “Standard Practices for Prevention and Problem Solving from Drugs in Corporate” which was implemented further from the “Drug Free Workplace (White Factory)” project. This project inspires and encourages the workers themselves to engage voluntarily in prevention and problem solving from drugs and establishes the sustainable drugs prevention surveillance.



## Nature of Business



### Our Products & Services

The principal activity of the Company is to act as total steel solution provider. The Company places priority on serving the needs of customers and providing the type of product customers require through its management and warehousing system. The Company also delivers products at a pre-specified time and place. These activities comprise value-added for customers in terms of providing product variety, quality, optimal cost and convenience with professionalism and dependable expertise which are at the core of all TMT operations, and that is why we are proudly referred to as Thailand's one-stop integrated steel solution service. The Company's solution can be divided into categories, as follows:

# 01

## Steel Distribution Center

Our customers are fully served domestically and internationally with all kinds of steel products, from raw materials to finished products. The TMT distribution center is situated at a strategic location that increases our capabilities to transport products all across the board to most destinations within the shortest time. This apparently results in minimizing inventory management costs to our customers.

We are capable of handling virtually all kinds of steel orders, even ones with specific requirements. With our state-of-the-art machinery and teams of professionally trained mechanics, we can cater for shearing, slitting and cutting to any specific requirements as needed.

# 02

## Steel Processing

# 03

## Cold Forming Process

As a one-stop integrated steel solution provider, TMT is equipped with comprehensive cold forming production lines to produce various types of general structural steel for construction.

At TMT, we strive to constantly add greater value to our existing and future offerings whenever we can, relentlessly making it worthwhile for customers to choose our products and services. This is evident in our recent successful development of the water based corrosion resistant coating system to be applied to our cold forming products. The system has proven to be safe and eco-friendly because it does not contain any hazardous volatile or solid substances, and it is a clear proof of our genuine commitment to corporate environmental friendliness.

# 04

## Constantly Adding Value to Our Products

## Marketing and Competition

With a complex requirement of customer which is diverse as its industrial needs and variety of its business application, it creates a complicated need not only in pattern, quality, standard or utilization to meet their requirement, but also a need of services which can

ensure a committed delivery, secured source of material and valuable recommendation on alternatives of efficient material planning. In the mean time, this management should be synchronized and conformed to upstream material management in both local and foreign mills' constraints and conditions which are described as below:

Mills' Needs	Customers' Needs
<div data-bbox="151 804 277 931">1</div> <div data-bbox="300 815 392 844"><b>Quantity</b></div> <div data-bbox="300 860 782 1021">Mills prefer mass production and require a minimum quantity in order to control production costs and achieve economies of scale.</div>	<div data-bbox="810 804 936 931">1</div> <div data-bbox="962 822 1054 851"><b>Quantity</b></div> <div data-bbox="962 866 1441 1160">Customers, such as construction companies, manufacturers of parts, automobile parts, require limited quantities of products for a certain period of time which may not meet the minimum quantity requirement of mills. In addition, customers need various types of products at one time.</div>
<div data-bbox="151 1171 277 1299">2</div> <div data-bbox="300 1187 381 1216"><b>Pattern</b></div> <div data-bbox="300 1232 782 1393">Mills prefer standard pattern orders which require a normal production process in order to ensure efficiency in the production process.</div>	<div data-bbox="810 1171 936 1299">2</div> <div data-bbox="962 1191 1043 1220"><b>Pattern</b></div> <div data-bbox="962 1236 1441 1397">Each customer requires different types of products. Some products cannot be completed in a mill's production process and need additional processing.</div>
<div data-bbox="151 1404 277 1532">3</div> <div data-bbox="300 1424 391 1453"><b>Delivery</b></div> <div data-bbox="300 1469 782 1630">Mills prefer mass volume for each delivery together with few shipments and few destinations in order to control transportation costs.</div>	<div data-bbox="810 1404 936 1532">3</div> <div data-bbox="962 1429 1053 1458"><b>Delivery</b></div> <div data-bbox="962 1473 1441 1635">Customers generally require a one-time delivery of several types of products in one order. In addition, many customers mean many destinations.</div>
<div data-bbox="151 1637 277 1765">4</div> <div data-bbox="300 1673 365 1702"><b>Order</b></div> <div data-bbox="300 1718 782 1834">Mills prefer to have a confirmed order in advance and lead time in order to fix the production planning.</div>	<div data-bbox="810 1637 936 1765">4</div> <div data-bbox="962 1680 1027 1709"><b>Order</b></div> <div data-bbox="962 1724 1441 1841">Consumers may require the product immediately or at a shortened period, making it difficult to place orders in advance.</div>

The Company, as a full service center and distribution center, manages and serves the varying preferences of both mill and consumers to meet their requirement at the same time by placing orders to mills in a large volume, with some products maintained in its warehouse and others were reprocessed in order to provide various products to customers in each industry. The Company assists its customers in saving time, reducing handling and storage costs and expenses by providing a product sourcing service. The Company also helps mills reduce transportation costs by delivering the products to each consumer directly.

## Sources of Supply

In 2016 the Company's products were from its production and procurement from other sources which were raw materials for use in its production and finished goods for sale, described as follows:

### The Production

The Company has factory and warehouse totally 14 buildings. In the year 2016, the company completely installed one new pipe machines with supporting tools and equipment together with process improvement; consequently, the total capacity is expanded to 795,400 tons per annual with the production utilization rate of 89.18%.

### Raw Material Sourcing

Hot Rolled Coil is the main raw material for the Company's production. The Company purchased Hot Rolled Coil from various domestic and foreign mills where the domestic sourcing was accounted to 57.09% and the import sourcing was 8.64% of total products purchasing amount in 2016.

## Products for Sale sourcing

The Company sources the products for sale as the customer's requirement which cannot be produced itself or some can be produced but not match with its the production planning as the following:

1. **Hot Rolled Steel Section** The Company purchased Hot Rolled Steel Section products from various domestic mills, accounting to 21.66% of the 2016 total products purchase. These products are H or I Sections, Equal and Angle.
2. **Cold Forming Steel Section** Though the Company can produce some types of this Cold Forming Steel Section, TMT also purchase the others mostly are Pipes from various domestic manufacturers which accounted to 3.64% of the total products purchase in 2016.
3. **Hot Rolled Plate** This product type is not the production from Hot Rolled Coil or cannot be processed through the Company's production line. Therefore, the Company purchased from various domestic mills at 6.40% of total products purchase amount.
4. **Other Steel Products** As a Total Steel Solution Provider, TMT has to source and procure to serve the variety of customers' needs such as D Formed Bars, Steel Rods, Stainless Steel, Wire Mesh, etc., amounting 2.57% of the total products purchase in 2016.



# Revenue Structure

The Company's revenue structure over the past three years covering its financial period ended 31 December 2014 to 2016 is as follows:

Product Category	2016		2015		2014	
	Baht thousands	%	Baht thousands	%	Baht thousands	%
<b>Trading</b>						
1. Hot-Rolled Coil	137,843	1.10	55,439	0.48	25,315	0.21
2. Hot Formed Shape Steel	2,448,144	19.45	2,663,488	22.85	3,016,625	24.46
3. Steel Pipe and C-Channel	451,661	3.59	768,774	6.60	968,140	7.85
4. Sheet and Plate Steel	676,273	5.37	687,955	5.90	835,808	6.78
5. Others *	166,390	1.32	246,949	2.12	192,016	1.56
<b>Total</b>	<b>3,880,311</b>	<b>30.83</b>	<b>4,422,605</b>	<b>37.94</b>	<b>5,037,903</b>	<b>40.85</b>
<b>Processing</b>						
1. Steel Sheet (Cutting)	2,906,325	23.10	2,364,613	20.29	2,344,398	19.01
2. Steel Sheet (Shearing and Pressing)	2,510,093	19.95	2,341,627	20.09	2,431,268	19.71
3. Slit Coil	367,226	2.92	290,739	2.49	300,239	2.43
<b>Cold Formed Steel Processing</b>						
4. Steel Pipe	1,750,163	13.91	1,109,502	9.52	1,072,078	8.69
5. C-Channel	1,112,854	8.84	1,060,721	9.10	1,101,514	8.93
<b>Total</b>	<b>8,646,661</b>	<b>68.72</b>	<b>7,167,201</b>	<b>61.49</b>	<b>7,249,496</b>	<b>58.78</b>
<b>Other Income**</b>	<b>57,188</b>	<b>0.45</b>	<b>66,887</b>	<b>0.57</b>	<b>45,823</b>	<b>0.35</b>
<b>Total Revenue</b>	<b>12,584,161</b>	<b>100.00</b>	<b>11,656,693</b>	<b>100.00</b>	<b>12,333,222</b>	<b>100.00</b>

Notes : \* Such as deformed bar, special size and special grade steel

\*\* Such as processing service, delivery service and interest income

# Risk Factors

Risk factors that may have an adverse effect on TMT's business, financial position or operating results are as follows :

## 1. Risk associated with reliability on major steel producers

During 2016, the Company purchased hot-rolled coil from domestic manufacturers, local and foreign traders. Mainly, domestic purchase was from Sahaviriya Steel Industries Plc., GJ Steel Plc. and G Steel Plc., which accounted for a combined 51.33% of its total purchase, comparing with 52.40% in 2015. The import in year 2016 and 2015 were 8.64% and 2.87% of the total purchase respectively. Furthermore, in year 2016, the Company also purchased structural steel products from Siam Yamato Steel Co., Ltd., the largest structural steel producer in Thailand, accounting for 11.60% of the total purchase compared with 10.96% in 2015.

As there are only three domestic hot-rolled steel coil producers as well as an import restriction caused by the extending of an anti-dumping measure and the Department of Foreign Trade has imposed the Safeguard measure for imported Hot Rolled Alloyed Steel Products, there still may be a risk if these major domestic steel producers are unable to deliver their products to the Company as scheduled or the producer's operation is halted with any causes and if the Company is unable to provide substitute products or procure from alternative sources to fill its customers' orders.

However, the Company is able to mitigate this risk through its minimum stock policy of 30 days to 60 days and its policy to place orders approximately 30 to 60 days in advance by coordinating with its steel producers to share the information on customers' needs that might be easy for producers to fix the production planning. Moreover, the Company has maintained a close relationship with its producers and distributors both in local and global in order to secure and reserve the alternative material sources for the Company.

## 2. Risk associated with impacts from Anti-Dumping Measures

According to the Ministry of Commerce has extended the effectiveness of the anti-dumping duties on imports of hot-rolled steel from 19 countries and the Department of Foreign Trade has also imposed the safeguard measure on imported Hot Rolled Alloyed Steel Products, such measures led to a rise in the cost of imported hot-rolled coil (HRC) from such countries, an increase in the trading volume of HRC produced domestically, which may cause a shortage of supply in the future if the local domestic producers could not produce their products to respond the market needs.

The Company still mitigates the risk through its minimum stock policy of 30 days to 60 days and place orders approximately 30 to 60 days in advance.

## 3. Risk associated with fluctuations in the price of Hot-rolled Coil (HRC)

In 2016 and 2015, the Company's main revenue stemmed from trading and processing HRC, accounted for 73.46% and 69.66% of total revenue respectively. The Company's total purchase of HRC from domestic producers was 86.86% and 95.27% of its total HRC purchased in 2016 and in 2015 respectively. Therefore, the volatility of domestic HRC price, which fluctuates with the world price, will have an impact on the Company's cost of goods sold, price of products, and inventory management.

The Company has done a best effort to minimize the price fluctuation impact by setting its selling prices at a level whereby it can maintain its spread margin. The Company closely monitors fluctuations in steel prices to evaluate the market situation as well as price trends. This information can be used in making purchasing decisions as well as managing inventory.

#### 4. Risk associated with Accounts Receivable

As at 31 December 2016, the Company had accounts receivable in the amount of Baht 1,927.45 million representing 15.46% of total sales, the average collection period was 53 days, while accounts receivable which aged less than 3 months was Baht 1,915.46 million representing 99.38% of net accounts receivable. Hence, the Company may encounter a delinquency risk in the event customers have a poor operating performance, and this may affect the Company's profitability and financial status.

The Company periodically reviews the credit quality of its customers and sets aside provisions for no guarantee doubtful accounts aged overdue more than 180 days, or if the Company detects that a client has a problem in making a payment, even if does not exceed 180 days, the Company will set aside provisions for doubtful debt for said client. The Company focuses on providing credit which was considered by Credit Committee to grant a credit line for its own customers and allows credit for repeat customers with a good credit history and long-term relationship. In the case of new customers, customers in high-risk industries or who place unusually large purchase orders, the Company will request a bank guarantee, aval or letter of credit. The Company also has a diversified revenue base and a large number of customers without having to rely on any one specific customer group. Risk is also minimised as no large proportion of credit is provided to any one sector or industry.

#### 5. Risk associated with interest rates

As at 31 December 2016, the Company's liabilities were short-term loans from financial institutions totaling Baht 2,844.25 million representing 87.63% of its total liabilities. The short-term financing consisted of short-term loans from financial institutions, trust receipts and letters of credit which were used as working capital to purchase raw material from its suppliers and its age was longer than the age of the Company's account receivable.

Any changes in market interest rate may effect to the Company's interest expense and net profit. However, the interest expense in 2016 was equaled to 0.39% of total sales revenue while in year 2015 was 0.51%. The interest coverage ratio was 24.49 times in year 2016 while in year 2015 was 7.79 times when compared with earning before interest and tax.

#### 6. Risk associated with exchange rate

For the fiscal year 2016 and 2015, the Company's total imports in US dollar terms accounted for 8.64% and 2.87% of total purchases, respectively. This exposes the Company to a risk of fluctuations in foreign currency. However, the Company has a policy to hedge this risk by making forward contracts or converting to be Baht debt or making early payment depending on the level of cash on hand.

The Company will continue to import some of its raw material requirement while maintaining its hedging policy to manage foreign exchange risk exposure whenever the Company deems appropriate.

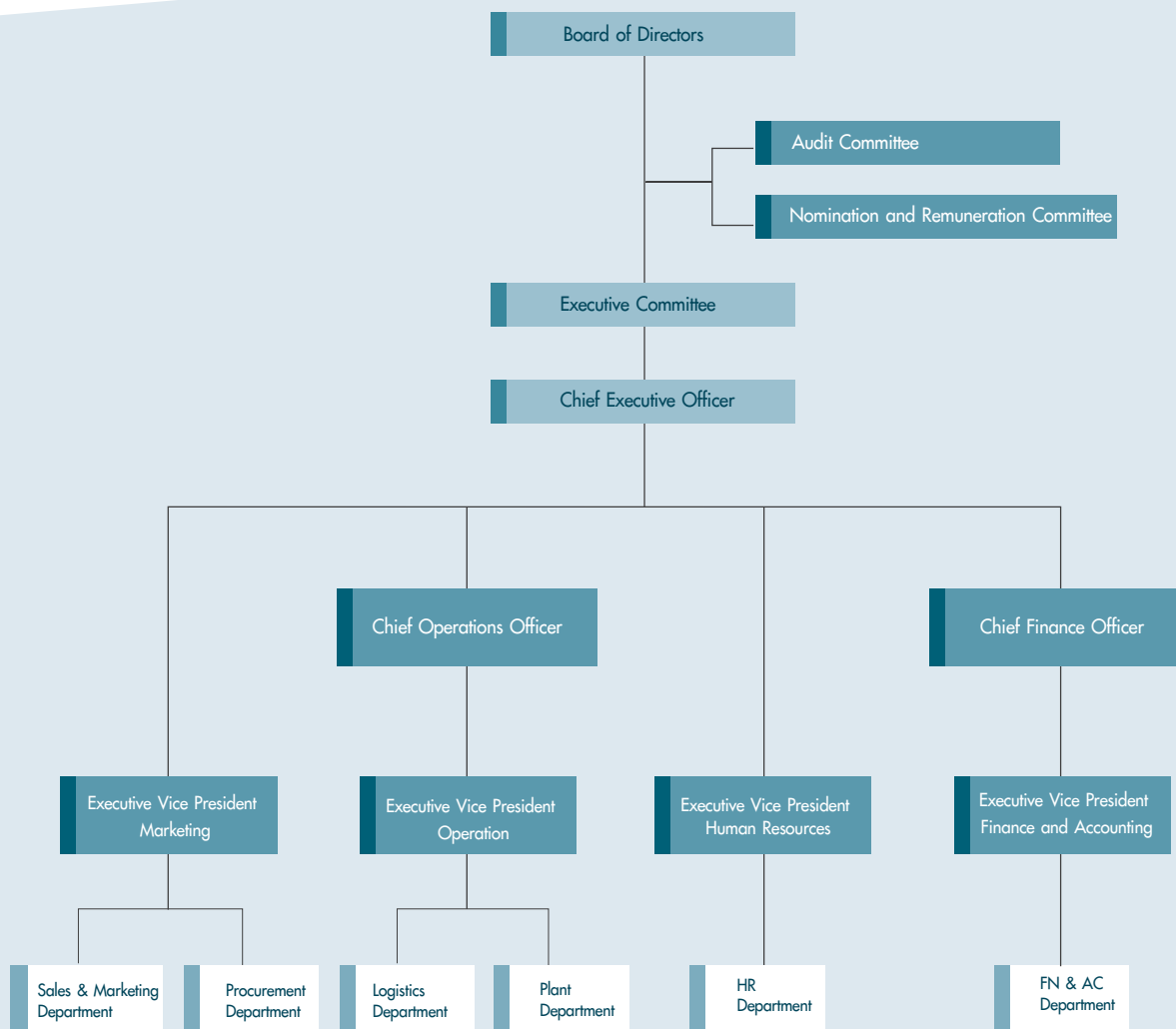
#### 7. Risk associated with natural disaster

A natural disaster is an event that may occur and cannot be predicted in advance. As the flood situation in 2011, the Company had been affected to its manufacturing operations and transportation of Wangnoi plant which made the operation halted for a month. The Company has insured all risks including risks from flood which effected to inventory, buildings and machines with limited coverage of flood disaster. However, the Company has completely set up an action plan and preventive system to prevent a future disaster by making permanent and mobile concrete dikes around the plant area and each factory building together with centralized drainage system and necessary equipments to prevent water leak into the factory in the future.



# Management Structure

Organization Chart as of December 31, 2016



## Board of Directors

As of December 31, 2016, the Board of Directors consisted of seven members as follows:

Name	Position
1. Mr. Chai Jroongtanapibarn	Chairman of the Board and Independent Director
2. Mr. Soon Tarasansombat	Director
3. Mr. Paisal Tarasansombat	Director
4. Mr. Komsan Tarasansombat	Director
5. Mr. Somjate Tretarnthip	Director
6. Mrs. Ratanavalee Gorsanan	Independent Director
7. Mr. Anake Pinvanichkul	Independent Director

#### Authorized Directors:

1. Mr. Paisal Tarasansombat
2. Mr. Komsan Tarasansombat
3. Mr. Somjate Tretarntip

Any above two of three directors jointly sign along with the Company's seal affixed.

#### Scope, Duties, and Responsibilities of the Board

The Board of directors has its duties and responsibilities to perform in compliance with the laws, objectives, and the Company's Articles of Association as well as resolutions of shareholders' meeting with honesty and due care of the Company's benefits, except the transactions that must be approved by shareholders' meeting before conducting such as transactions that required by laws to obtain the majority votes of shareholders' meeting, the connected transaction and the acquisition or disposal of assets in accordance with the regulations specified by SET or any issues defined by government agencies etc. In this regards, the Board of directors may assign any one director or other person to act on behalf of the Board of directors. The Scope, Duties, and Responsibilities of the Board of directors are as follows:

1. To hold the Company's annual general meeting of shareholders within no later than four months from the end of the Company's fiscal year;
2. To hold the Company's Board of directors' meeting at least once every three months;
3. To arrange the preparation of financial statement as at the end of the Company's fiscal year which is audited by auditor, and then shall propose to the shareholder's meeting for their consideration and approval;
4. The Board of directors may delegate their authority to any one or several directors or other person to take any action on their behalf and under the supervision of the Board of directors, or empower such person/persons to have power according to the Board of directors deem appropriate and

within time limit as the Board of directors indicate. The Board of directors may cancel, revoke, change, or amend such authorities whenever it deems appropriate. The Board of Directors may authorize the Executive Committee to manage any operations, which was already described in scope, duties, and responsibilities of executive committee, however, such authorization shall not include the consideration and approval of any transaction in respect of which his or any persons have interest or conflict of interests with the Company or its subsidiary, except where the transactions are in accordance with policies and measures as considered and approved by the Board of directors;

5. To set target, guideline, policy, business plan and budget of the Company as well as to monitor the operation and management of executive committee to ensure that they perform in compliance with such policies, except the following matters which must be approved by the meeting of shareholders before conducting : the issue that required by laws to obtain the majority votes of shareholders' meeting such as capital increasing, capital reduction, debenture issuance, the sale or transfer of business of the Company in whole or in essential part to other persons or the purchase or acceptance of transfer of business of other companies, and the amendment of the Company's memorandum of association. Furthermore, the Board of directors has its duty to conduct the Company to perform in compliance with the Securities and Exchange laws and rules issued by SET such as connected transaction and the acquisition or disposal of assets according to the regulations issued by SET, or relevant legislation with the Company's business;
6. To consider the management structure, and to appoint the Executive Committee, Chief Executive Officer, and other Committees as deem appropriate;

7. To supervise and monitor the operating results in order to meet the business plan and budget continuously;
8. The Director is forbidden to operate a business of the same nature as, and in competition with that of the Company, or to enter to be a partner in an ordinary partnership or a partner of limited partnership or a director of a private company or other company which operates a business of the same nature as and in competition with that of the Company, whether for their own or other's benefit, unless the meeting of shareholders has been notified prior to appointment thereto;
9. The Director shall file to the Company a report on his interest which may cause conflict of interest directly or indirectly when the Company enters into a contract, or has any changes in shares or debenture holding in the Company or its subsidiary.

**The Board's Meeting:** In year 2016, The Board's meeting held a total of four meetings with directors' attendance as detailed below:

Name	Position	No. of Attendance / No. of Meeting (times)
1. Mr. Chai Jroongtanapibarn	Chairman of the Board and Independent Director	4 / 4
2. Mr. Soon Tarasansombat	Director	4 / 4
3. Mr. Paisal Tarasansombat	Director	4 / 4
4. Mr. Komsan Tarasansombat	Director	4 / 4
5. Mr. Somjate Tretarnthip	Director and Corporate Secretary	4 / 4
6. Mrs. Ratanavalee Gorsanan	Independent Director	4 / 4
7. Mr. Anake Pinvanichkul	Independent Director	4 / 4

## Executive Committee

As of December 31, 2016, the Executive Committee consisted of three members as follows:

Name	Position
1. Mr. Paisal Tarasansombat	Chief of Executive Board
2. Mr. Komsan Tarasansombat	Executive Director
3. Mr. Somjate Tretarnthip	Executive Director

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

The Executive Committee has its scope of authorities, duties, and responsibilities to manage the Company's normal business operation as well as to set a policy, business plan, budget, management structure and job authorization, and business protocol in relation with

economic conditions in order to propose to the Board of Directors for approval and/or acceptance, including the verification and supervision of the operating results compared with its policies. The Scope, Duties, and Responsibilities of the Executive Committee are as follows:

1. To consider the annual budget allocation as proposed by management team before submit to



the Board of directors' meeting for approval, including the consideration and approval of changes in interim expenses in case of emergency item when there is no Board of Directors' meeting, and then report to the next Board of directors' meeting;

2. To approve buying or selling transaction that value of not exceeding Baht 500 Million per transaction;
3. To approve the investment expense which is not in the approved annual budget, and not exceeding Baht 50 Million;
4. To approve the expenses for investment as annual budget as approved by the Board of directors or in accordance with the approved principle by the Board of Directors;
5. To provide consultancy to the management in respect of financial, investment, marketing, human resources management, and other operation matters;

6. To allocate pension funds approved by the Board of Directors to employees or any persons employed to work for the Company;
7. To control the operation and/or daily management of the Company.

However, the authorities of the Executive Committee are not included the approval of any transactions in respect of executive committee who has a conflict or any matters in respect of which executive committee or related persons has interest or conflict of interest with the Company or its subsidiary (if any) pursuant to the rules of SET. The approval on such matters shall proposed to the Board of directors' meeting and/or the shareholder's meeting so as to consider and approve those matters according to the Articles of Association of the Company or any relevant laws, except for normal business transactions that are already prescribed by existing guidelines approved by the Board.

## Audit Committee

As of December 31, 2016, the Audit Committee consisted of three knowledgeable members as follows:

Name	Position
1. Mr. Chai Jroongtanapibarn	Chairman of the Audit Committee
2. Mrs. Ratanavalee Gorsanan	Audit Committee
3. Mr. Anake Pinvanichkul	Audit Committee

## Scope, Duties, and Responsibilities of Audit Committee

The Audit Committee has its scope of authorities, duties, and responsibilities as authorized by the Board of directors, including the report to the Board on following matters:

1. To review the Company's financial reporting process to ensure that it is accurate and adequate;
2. To review the Company's internal control system and internal audit system to ensure that they are

suitable and efficient, to determine independency of internal audit unit, as well as to approve the appointment, transfer and dismissal of the head of internal audit unit or any other unit in charge of internal audit;

3. To review compliance with the Securities and Exchange Act, regulation of the Stock Exchange of Thailand and any other relevant regulations or laws which related to the Company's business;

4. To consider, select, and nominate or terminate an independent person to be the Company's auditor, and to propose such person's remuneration, as well as to attend a non-management meeting with the auditor at least once a year;
5. To review the connected transactions, or the transactions that may lead to conflicts of interests, to ensure that they are in compliance with the laws and the Exchange's regulations, and are reasonable and for the highest benefit of the Company;
6. To prepare, and to disclose in the Company's annual report, an Audit Committee' report which must be signed by the Chairman of Audit Committee and consist of at least the following information:
  - 6.1 an opinion on the accuracy, completeness and reliability of the Company's financial report,
  - 6.2 an opinion on the adequacy of the Company's internal control system,
  - 6.3 an opinion on the compliance with the law on the Securities and Exchange, the Exchange's regulations, or the laws relating to the Company's business,
  - 6.4 an opinion on the suitability of an auditor,
  - 6.5 an opinion on the transactions that may lead to conflicts of interests,
  - 6.6 the number of audit committee' s meeting, and the attendance of such meetings by each committee member,
  - 6.7 an opinion or overview comment acknowledged by the audit committee from its performance of duties in accordance with the charter , and
  - 6.8 other transactions which, according to the audit committee's opinion, should be disclosed to the shareholders and investors, subject to the scope of duties and responsibilities assigned by the Board.
7. To report the Audit Committee's operation to the Board at least once every quarter;
8. To perform any duties as designated by the Board with the consent of the Audit Committee.

In addition, The Board of directors has fixed the term for members of Audit Committee as follows:

Chairman of the Audit Committee	3 years
Audit Committee	3 years

In this regards, when they complete their term, Chairman of Audit Committee or audit committee can be re-appointed to their position.

**Audit Committee's Meeting:** In year 2016, Audit Committee's meeting held a total of four meetings with the committee's attendance as detailed below:

Name	Position	No. of Attendance / No. of Meeting (times)
1. Mr. Chai Jroongtanapibarn	Chairman of the Audit Committee	4 / 4
2. Mrs. Ratanavalee Gorsanan	Audit Committee	4 / 4
3. Mr. Anake Pinvanichkul	Audit Committee	4 / 4

## Nomination and Remuneration Committee

As of December 31, 2016, the Nomination and Remuneration Committee consisted of five members as follows :

Name	Position
1. Mr. Soon Tarasansombat	Chairman of the Nomination and Remuneration Committee
2. Mr. Chai Jroongtanapibarn	Nomination and Remuneration Committee
3. Mrs. Ratanavalee Gorsanan	Nomination and Remuneration Committee
4. Mr. Anake Pinvanichkul	Nomination and Remuneration Committee
5. Mr. Somjate Tretarnthip	Nomination and Remuneration Committee

### Scope, Duties, and Responsibilities of the Nomination and Remuneration Committee

1. To set the policy, criteria, and method of remuneration payment and nomination process for the Board of directors, Sub-Committee and Chief Executive Officer;
2. To nominate, determine, and propose the suitable directorial candidates as the setting criteria, in order to replace the retired directors of the Board or Sub-Committee, or Chief Executive Officer, or when those positions are vacant as well as the new position set by the Board of directors or set by laws, and then propose to the Board and / or the shareholder's meeting to approve;
3. To draw up guideline for remuneration criteria and fix the remuneration for the Board of directors, Sub-Committee and Chief Executive Officer, either cash or non cash and propose to the Board of directors for approval. The remuneration for the Board of directors will be proposed to shareholders' meeting for final approval;
4. To review the appropriateness of the current remuneration and nomination criteria;
5. To perform any duties as designated by the Board.

**Nomination and Remuneration Committee's Meeting:** In year 2016, Nomination and Remuneration Committee's meeting held a total of one meeting with the committee's attendance as detailed below:

Name	Position	No. of Attendance / No. of Meeting (times)
1. Mr. Soon Tarasansombat	Chairman of the Nomination and Remuneration Committee	1 / 1
2. Mr. Chai Jroongtanapibarn	Nomination and Remuneration Committee	1 / 1
3. Mrs. Ratanavalee Gorsanan	Nomination and Remuneration Committee	1 / 1
4. Mr. Anake Pinvanichkul	Nomination and Remuneration Committee	1 / 1
5. Mr. Somjate Tretarnthip	Nomination and Remuneration Committee	1 / 1



## Management Team

As of December 31, 2016, the management of the Company consisted of six members as follows:

Name	Position
1. Mr. Paisal Tarasansombat	Chief Executive Officer
2. Mr. Prawas Sontawakul	Chief Operations Officer
3. Mr. Somjate Tretarnthip	Chief Finance Officer
4. Ms. Petrung Measincee	Executive Vice President - Marketing
5. Mr. Komsan Tarasansombat	Executive Vice President - Operations
6. Mrs. Panlapa Tarasansombat	Executive Vice President - Human Resources

### Scope, Duties, and Responsibilities of Chief Executive Officer

The scope, duties and responsibilities of Chief Executive Officer for managing normal business and operation of the Company are as follows:

1. To control and supervise the operation and/or manage day-to-day business of the Company;
2. To operate or carry out the business in respect of execution of policies, business plan, and budgets approved by the Board of Directors and/or the Executive Committee;
3. To act as the attorney of the Company in management to comply with objectives, Articles of Association, policies, guidelines, regulations, orders, resolutions of shareholder's meeting and/

or resolutions of the Board of Directors or the Executive Committee.

However, the authorities of Chief Executive Officer are not included the approval of any transactions in respect of Chief Executive Officer has a conflict, or any matters in respect of which Chief Executive Officer or related persons have interest or conflict of interest with the Company or its subsidiary (if any) pursuant to the rules of SET. The approval on such matters shall proposed to the Board of directors' meeting and/or the shareholder's meeting so as to consider and approve those matters according to the Articles of Association of the Company or any relevant laws, except for normal business transactions that are already prescribed by existing guideline approved by the Board of directors.

## Corporate Secretary

As of December 31, 2016

Name	Position
Mr. Somjate Tretarnthip	Corporate Secretary

### Scope, Duties, and Responsibilities of the Corporate Secretary

Responsible for organizing the meetings of the Board of directors, committees and shareholders, and preparing the minutes of the Board's meeting, the minutes of other

Committees' meeting, the minutes of Shareholders' meeting and annual report as well as filing documents as specified by laws. Support and supervise the Company to perform in compliance with the laws and regulation of the Stock Exchange of Thailand.

# Remuneration of directors and management

The Nomination and Remuneration Committee is responsible for prescribing and considering the remuneration of directors and executive committee by comparing with the others in the same industry and conforming to the Company's operating results, including the accountabilities and responsibilities of those directors and executive committee. The allocation of remuneration is detailed as below;

## 1. The Board and Other Sub-committee Remuneration

The annual general meeting of shareholders on April 1, 2016 approved the directors' remuneration for

Baht 5,000,000 per annum which is the same rate as year 2015 and bonus for the Board Baht 2,400,000. This remuneration and bonus were allocated to 7 directors separated by Baht 4,720,000 for directors' allowance and Baht 280,000 for meeting allowance which were allocated to Chairman of the Board : Chairman of Nomination and Remuneration Committee, Audit Committee : Director at the ratio 1.73 : 1.23 : 1.00 and Baht 10,000 for each Board of directors' meeting attendance. Meanwhile, the bonus was allocated to Chairman : Director at the ratio 1.25 : 1.00. The allocation of remuneration is detailed as below:

Name	Position	Directors Allowance (Baht)	Meeting Allowance (Baht)	Bonus from 2015 Operating results (Baht)	Total (Baht)
1. Mr. Chai Jroongtanapibarn	Chairman of the Board and Chairman of the Audit Committee	970,000	40,000	400,000	1,410,000
2. Mr. Soon Tarasansombat	Director and Chairman of Nomination and Remuneration Committee	690,000	40,000	400,000	1,130,000
3. Mr. Paisal Tarasansombat	Director	560,000	40,000	320,000	920,000
4. Mr. Komsan Tarasansombat	Director	560,000	40,000	320,000	920,000
5. Mr. Somjate Tretarnthip	Director and Nomination and Remuneration Committee	560,000	40,000	320,000	920,000
6. Mrs. Ratanavalee Gorsanan	Director, Audit Committee and Nomination and Remuneration Committee	690,000	40,000	320,000	1,050,000
7. Mr. Anake Pinvanichkul	Director, Audit Committee and Nomination and Remuneration Committee	690,000	40,000	320,000	1,050,000
<b>Total</b>		<b>4,720,000</b>	<b>280,000</b>	<b>2,400,000</b>	<b>7,400,000</b>

Remark : The Board and Sub-committee as above mentioned do not receive other benefits except the aforementioned.

## 2. The Executive Committee and Management Remuneration

In year 2016, the Company paid out the remuneration for 3 executive committees and 6 managements in term of salary, pension fund and bonus, totaling Baht 29,542,000

# Board Of Directors And Executives

## Mr. Chai Jroongtanapibarn

Chairman of the Board, Chairman of Audit Committee,  
Nomination and Remuneration Committee and  
Independent director

Age : 62 years

### Education :

Bachelor of Accounting, Chulalongkorn University  
Master of Accounting, Thammasat University

### Training for Director course of IOD :

Director Certification Program (DCP) : Class 29/2003  
Audit Committee Program (ACP) : Year 2005

### Family Relationship between directors and management :

None

### Number of shares (include related person as section 258) :

522,750 shares or 0.12%

### Experience (5 years past) :

May.15 - Present	Chairman of the Board, Chairman of Audit Committee, Nomination and Remuneration Committee and Independent Director / Thai Metal Trade Plc. / Steel Service Center
2007 - Present	Audit Committee / Siam Food Products Plc. / Food processing for export
2006 - Present	Audit Committee / Oishi Group Plc. / Food and Beverage business
2003 - Present	Director / Siam Future Development / Shopping Center
2002 - Present	Chairman of Audit Committee / Major Cineplex Group Plc. / Cinema and Bowling
2000 - Present	Chairman of Audit Committee / Team Precision Plc. / Electronics Board
Aug. 10 - Apr.15	Chairman of Audit Committee, Chairman of Nomination and Remuneration Committee and Independent Director / Thai Metal Trade Plc. / Steel Service Center

### Illegal record in the past 10 years :

None

## Mr. Soon Tarasansombat

Director,  
Chairman of Nomination and Remuneration Committee

Age : 75 years

### Education :

Mattayom 6

### Training for Director course of IOD :

Director Accreditation Program (DAP) : Class 19/2004

### Family Relationship between directors and management :

Father of Mr. Paisal Tarasansombat and  
Mr. Komsan Tarasansombat

### Number of shares (include related person as section 258) :

196,380,000 shares or 45.11%<sup>(1)</sup>

### Experience (5 years past) :

May.15 - Present	Director and Chairman of Nomination and Remuneration Committee / Thai Metal Trade Plc. / Steel Service Center
1986 - Present	Director / Soon Huat Steel Co.,Ltd. / Property Lessor
2004 - Apr.15	Chairman of the Board / Thai Metal Trade Plc. / Steel Service Center

### Illegal record in the past 10 years :

None

**Mr. Paisal Tarasansombat**

Director, Chief of Executive Board  
and Chief Executive Officer

Age : 51 years

**Education :**

Diploma , Assumption Commercial College  
Diploma in Business Study,  
Eastbourne College of Art & Technology,  
United Kingdom  
Mini IE , Chulalongkorn University  
Top Executive Program : Class 10/2010,  
Capital Market Academy

**Training for Director course of IOD :**

Director Accreditation Program (DAP) : Class 21/2004  
Director Certification Program (DCP) : Class 197/2014

**Family Relationship between directors and management :**

Son of Mr. Soon Tarasansombat, brother of  
Mr. Komsan Tarasansombat, and spouse of  
Mrs. Panlapa Tarasansombat

**Number of shares (include related person as section 258) :**

36,690,400 shares or 8.43%<sup>(2)</sup>

**Experience (5 years past) :**

Mar. 11 - Present	Director, Chief of Executive Board and Chief Executive Officer / Thai Metal Trade Plc. / Steel Service Center
Apr. 15 - Present	Director / Thai Listed Companies Association / Independent nonprofit organization
Jun. 14 - Present	Chairman of Audit Committee and Independent Director / Master Ad Plc. / Outdoor Advertising
2004 - Present	Director / CONNEX Business Online Co.,Ltd. / Software Solution
1986 - Present	Director / Soon Huat Steel Co.,Ltd. / Property Lessor

**Illegal record in the past 10 years :**

None

**Mr. Komsan Tarasansombat**

Director, Executive Director  
and Executive Vice President - Operations

Age : 48 years

**Education :**

Bachelor of Industrial Engineering, Khon Kaen University  
M.B.A. (Finance), Middle Tennessee State University, USA.

**Training for Director course of IOD :**

Director Accreditation Program (DAP) : Class 19/2004

**Training for Director course of TLCA :**

Executive Development Program (EDP) : Class 14/2014

**Family Relationship between directors and management :**

Son of Mr. Soon Tarasansombat and  
Brother of Mr. Paisal Tarasansombat

**Number of shares (include related person as section 258) :**

34,546,675 shares or 7.93%<sup>(3)</sup>

**Experience (5 years past) :**

11 - Present	Director, Executive Director and Executive Vice President - Operations / Thai Metal Trade Plc. / Steel Service Center
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**Illegal record in the past 10 years :**

None



**Mr. Somjate Tretarnhip**

Director, Nomination and Remuneration Committee,  
Executive Director, Chief Finance Officer  
and Corporate Secretary

Age : 52 years

**Education :**

Bachelor of Business Administration, Ramkhamhaeng University  
Mini M.B.A., Kasetsart University

**Training for Director course of IOD :**

Director Accreditation Program (DAP) : Class 19/2004

**Family Relationship between directors and management :**

None

**Number of shares (include related person as section 258) :**

2,000,000 shares or 0.46%

**Experience (5 years past) :**

Mar. 11 - Present	Director, Nomination and Remuneration Committee, Executive Director, Chief Finance Officer and Corporate Secretary / Thai Metal Trade Plc. / Steel Service Center
2004 - Present	Director / CONNEX Business Online Co.,Ltd. / Software Solution

**Illegal record in the past 10 years :**

None

**Mrs. Ratanavalee Gorsanan**

Audit Committee,  
Nomination and Remuneration Committee  
and Independent director

Age : 52 years

**Education :**

Bachelor of Accounting, Thammasat University  
Master of Accounting, Thammasat University

**Training for Director course of IOD :**

Director Accreditation Program (DAP) : Class 21/2004

**Family Relationship between directors and management :**

None

**Number of shares (include related person as section 258) :**

272,000 shares or 0.06%

**Experience (5 years past) :**

Aug. 10 - Present	Audit Committee, Nomination and Remuneration Committee and Independent Director / Thai Metal Trade Plc. / Steel Service Center
Feb. 12 - Present	Finance Director / Central Watson Co.,Ltd. / Retailer of health and beauty products
2010 - Feb. 12	Vice President of Finance and Accounting / Minor Corporation Plc. / Consumer products manufacturer

**Illegal record in the past 10 years :**

None

**Mr. Anake Pinvanichkul**

Audit Committee,  
Nomination and Remuneration Committee  
and Independent director

Age : 52 years

**Education :**

Bachelor of Science, Kasetsart University  
MBA, New York University

**Training for Director course of IOD :**

Director Accreditation Program (DAP) : Class 23/2004

**Family Relationship between directors and management :**

None

**Number of shares (include related person as section 258) :**

272,000 shares or 0.06%

**Experience (5 years past) :**

Aug. 10 - Present	Audit Committee, Nomination and Remuneration Committee and Independent Director / Thai Metal Trade Plc. / Steel Service Center
Mar. 13 - Present	Director / Nadmon Business and Consultant Co.,Ltd. / Restaurant Business
2002 - May. 13	Director / ACAP Advisory Plc. / Finance advisory and non-performing asset management

**Illegal record in the past 10 years :**

None

**Mr. Prawas Sontawakul**

Chief Operations Officer

Age : 58 years

**Education :**

Bachelor of Engineering (Mechanical Engineering),  
King Mongkut's University of Technology North Bangkok

**Training for Director course of IOD :**

Director Accreditation Program (DAP) : Class 12/2004

**Family Relationship between directors and management :**

None

**Number of shares (include related person as section 258) :**

None

**Experience (5 years past) :**

Mar. 11 - Present	Chief Operations Officer / Thai Metal Trade Plc. / Steel Service Center
Nov. 12 - Present	Director / Eco Living Co.,Ltd. / Home Building

**Illegal record in the past 10 years :**

None

**Mrs. Panlapa Tarasansombat**

Executive Vice President - Human Resources

Age : 49 years

**Education :**

BBA, Majoring in Accounting, Assumption University  
 Mini IE, Chulalongkorn University  
 Graduate Diploma in Human Resource Management,  
 Sasin Graduate Institute of Business Administration of  
 Chulalongkorn University

**Training for Director course of IOD :**

None

**Family Relationship between directors and management :**

Spouse of Mr. Paisal Tarasansombat

**Number of shares (include related person as section 258) :**36,690,400 shares or 8.43%<sup>(4)</sup>**Experience (5 years past) :**

Aug. 09 - Present Executive Vice President  
 - Human Resources /  
 Thai Metal Trade Plc. /  
 Steel Service Center

**Illegal record in the past 10 years :**

None

**Ms. Petrung Maesincee**

Executive Vice President - Marketing

Age : 51 years

**Education :**

Bachelor of Art (Economics), Thammasat University  
 Master of Art (Economics), Thammasat University

**Training for Director course of IOD :**

None

**Family Relationship between directors and management :**

None

**Number of shares (include related person as section 258) :**

1,415,900 shares or 0.33%

**Experience (5 years past) :**

Aug. 09 - Present Executive Vice President  
 - Marketing (Department) /  
 Thai Metal Trade Plc. /  
 Steel Service Center

**Illegal record in the past 10 years :**

None

**Remarks :**

- (1) Mr. Soon Tarasansombat holds the Company's share of total 166,380,000 shares, which equivalent to 38.21 percent of its total issued and paid up shares, and Mrs. Pornjit Tarasansombat, his spouse, hold of total 30,000,000 shares, which equivalent to 6.89 percent of its total issued and paid up shares.
- (2) Mr. Paisal Tarasansombat holds the Company's share of total 18,000,000 shares, which equivalent to 4.13 percent of its total issued and paid up shares, and Mrs. Panlapa Tarasansombat, his spouse, holds of total 18,690,400 shares, which equivalent to 4.29 percent of its total issued and paid up shares.
- (3) Mr. Komsan Tarasansombat holds the Company's share of total 33,046,675 shares, which equivalent to 7.59 percent of its total issued and paid up shares, and Mrs. Wimol Tarasansombat, his spouse, hold of total 1,500,000 shares, which equivalent to 0.34 percent of its total issued and paid up shares.
- (4) Mrs. Panlapa Tarasansombat holds the Company's share of total 18,690,400 shares, which equivalent to 4.29 percent of its total issued and paid up shares, and Mr. Paisal Tarasansombat, her spouse, holds of total 18,000,000 shares, which equivalent to 4.13 percent of its total issued and paid up shares.

In this regards, the number of shares and percentage of shareholding of all directors and executives are as of March 7, 2016, the latest book closing date.

# Report on Good Corporate Governance

The Board of Directors has realized the significance of the Company's good corporate governance by endorsing the moral and ethics as business principles in order to conduct the business with responsibilities, due care, and loyalty to bring efficient, transparent, and trustworthy growth from our shareholders, investors, and stakeholders. The Board therefore established the good corporate governance principle and guidelines so as to preserve such policy which can be divided into 5 chapters as follows;

## Chapter 1 : Rights of shareholders

### 1. Rights to appoint the Board of Directors

The appointment of the Company's Board of Directors is according to the Company's Articles of Association that shareholders' meeting shall elect the directors in accordance with rules and procedures as follows;

- 1.1 Each shareholder shall be entitled to one vote for each shareholding;
- 1.2 Each shareholder shall be entitled to cast all the votes under 1.1 to elect one or several persons to be the Company's director but cannot distribute their votes to any particular person or persons;
- 1.3 Persons who receive the highest votes arranged in order from highest to lowest in a number equal to that of the number of directors to be appointed are elected to be the Company's directors. In the event of a tie at a lower place, which would make the number of directors greater than the required, the Chairman of the meeting shall cast the deciding vote.

Furthermore, prior to the meeting date, one single shareholder or several shareholders together hold the Company's shares of not less than 5 percent of its total issued and paid up shares has the rights to nominate candidates to be elected as the Company's directors in

advance according to date, time, and criteria disclosed by the Company via SET's channel and the Company's website. And, this year 2016, no shareholder nominated candidate as said.

In the 2016 Annual General Meeting of Shareholders, shareholders cast their vote to elect the director individually and directors who have conflict of interest could not cast the vote.

### 2. Rights in shareholders' meeting

2.1 The Company sent the notice of the 2016 shareholder's meeting which indicated date, time, place, agenda, opinion of the Board, and supporting documents to all shareholders at least 21 days prior to the meeting date, and also such all relevant information will be posted on the Company's website at [www.thaimetaltrade.com](http://www.thaimetaltrade.com) at least 30 days prior to the meeting date to support all shareholders, including institutional investors, to attend the meeting and shareholders will have adequate time to study on each agenda thoroughly. In this regards, the meeting agenda and supporting documents as said were provided based on transparent and sufficient information for shareholders to make their best decision.

2.2 The Company provided the opportunity to shareholders who are unable to attend the meeting for exercising their rights by appointing other person to attend the meeting and cast the vote on their behalf or appoint an independent director who is appointed by the Company as their proxy. The Company therefore facilitates all shareholders by attaching proxy along with the notice of the meeting.

2.3 The Company also published such notice of the meeting in the public daily newspaper for 3 consecutive days and not less than 3 days prior to the meeting date in order to provide multi-channel for receiving information.



2.4 The Company provided the best effort to accommodate the most convenience for shareholders in term of the meeting place which the head office of the Company is situated and adjacent to the main public transportation and prepares any supplemental facility such as barcode system , adequate registration desk, spare notice of the meeting for those who do not bring such document, ballot card and staff members available for collecting the ballot card, wireless microphone in order to provide shareholders opportunities to question and presentation of each agenda etc.

2.5 At beginning of the meeting, the Company explained how to execute the shareholder's voting rights on each agenda, and announced the number of shareholders attending the meeting together with total shares which are entitled to vote.

2.6 The Company invited an independent legal advisor to attend the meeting in order to observe and verify the voting procedure on each agenda.

2.7 The Board of Directors gave an opportunity for shareholders to raise any questions and suggestions on each agenda and took as responsibility to clarify for those questions.

2.8 The Company published the minute and resolution of the shareholders' meeting via SET's channel and the Company's website within 14 days after the meeting so as to accurately provide the information for shareholders who attended or did not attend the meeting as well as other investors.

2.9 The Board of Directors, the Audit Committee, the Nomination and Remuneration Committee, and the executive committee has recognized the importance of attending the meeting and deemed it as important duty and responsibility to proceed. Therefore the 2016 Annual General Meeting of Shareholders dated April 1, 2016, all committee which included

the Board of Directors and the aforesaid sub-committees together attended the meeting.

### 3. Rights to receive the dividend payment

The Company's dividend payment policy for the previous year operating results is not less than 50 percent of its net profit after legal reserve deduction as required by law. In 2016 Annual General Meeting of Shareholders, the meeting approved dividend payment from 2015 operating results at the rate of Baht 0.65 (Sixty five satang) or 88.26% of net profit. The payment was paid to the Company's shareholders whose name appear on Record Date which was fixed by the resolution of the Board of Directors' meeting and approved by the shareholder's meeting.

### 4. Rights to access the adequate Company's information

The Company has disclosed all significant information such as operating results or financial statements via SET's channel as well as published on the Company's website within the date and time stipulated by law in order to provide multi-channel for stakeholder to receive information.

### 5. Rights to appoint the Company's auditor and fix audit's fee

In 2016, the Board of Directors proposed the shareholder's meeting to appoint the Company's auditor and fix audit fee for the year 2016. The proposed audit company and auditor have no relationship or conflict of interest in the Company, directors, executives and the Company's major shareholders or any related to those parties as said.

## Chapter 2 : Equitable Treatment of Shareholders

1. The Company provided an opportunity for minor shareholders to propose agendas for the shareholders' meeting in advance by fixing that one single shareholder or several shareholders together hold the Company's shares of not less than 5 percent of its issued and paid up shares, can exercise as said. And, in 2016, the Company disclosed the aforementioned above via its website and SET's channel at least 30 days prior to the

date of shareholders' meeting, and there is no shareholder proposed the agenda as said.

2. The Company made the notice of the meeting, all supporting documents, and proxy in both Thai and English for the convenience of both local and foreign shareholders.
3. The Company will not propose the additional agendas without prior notice to shareholders.
4. The Company has authorized an independent director to safeguard interest of its minor shareholders by creating the E-mail address: ind\_dir@thaimetaltrade.com for shareholders to express their opinions, suggestions, or complains related to the Company's operating results. The independent director will consider and proceed as deem appropriate.
5. All directors and executives will promptly report the corporate secretary when any conflict of interest of their own or related person occurred according to the Securities and Exchange Acts so that the corporate secretary will gather and submit to the Audit Committee and the Board of Directors to consider such conflict of interest and to decide base on the Company's benefit. In this regards, the director and executive who have conflict of interest with a transaction is not allowed to present in the meeting and have no voting rights.
6. The Board of Directors has recognized the importance of inside information control and protects for internal use of restricted person only, so the Board established the policy and conduct to keep it confidential until it is publicized. The Company also informed directors and executives, who shall have a duty as prescribed in SET and SEC's enforcement, to acknowledge their responsibility and to report their shareholding and related person's shareholding included their spouse and minor children, this also including the report on change in securities holding that shall submit to SEC and SET in accordance with the Securities and

Exchange Act for preventing the use of inside information for their own benefit.

Furthermore, the directors and executive directors, including their spouse and minor children, are forbidden to buy, sell or transfer the Company's securities by using inside information which has not yet been disclosed to public. In case those persons buy, sell or transfer the Company's securities without knowing such inside information, such persons are required to report the said transaction to SEC and SET within three days from the transaction date in every time of entering into such transaction and then submit a report to the corporate secretary as evidence.

However, if any directors, executive directors and the Company's staffs are taking advantage for their own from using inside information and such action has caused any disgrace or damage to the Company, the Company will consider taking an appropriate legal action against such person.

## Chapter 3 : Role of Stakeholders

### 1. Customers

1.1 The Company provides consultation, business solutions and material planning. These are aimed at creating greater values in order to benefit customers under an integrated management system which will be able to meet all customers' requirements.

1.2 The Company's products are manufactured by modern technology of production processes, and will be passed quality control before the delivery to customer, according to fixed standard and mutual covenants.

1.3 The product information which is presented to customer is true fact and having sufficient details. So, it is easy for the customers to make decisions.

1.4 The Company recognized the importance of logistics system in place which offers reliability, inventory management and cost control so as to reserve the customer's production and ensure that the customers' requirements will always be treated with great care and fulfilled.

1.5 The Company is committed to maintain customer private data confidentiality and prevent from using the aforementioned for personal gain without prior notice to customers.

1.6 The company emphasized on the result of evaluation of customer satisfaction, toward company's products and services. The results will be brought to improve and develop for better ability of responding to the customer demands.

## 2. Employees

2.1 The Company has continued its constructive people development by training staff to be capable, knowledgeable, and experienced. These also aim to build a reliable professional to provide better solution for customers and create the value of determination, reliability, challenging ideas and responsive action through the way of thoughts and practices. In the year 2016, the Company achieved in-house training courses as targeted at TMT Knowledge center. The Company also allocated the sufficient budget for all training, in summary; both in-house and external training courses total is 159 courses, and the number of employee joined the training average 22.5 hours per person, or average 3.7 days per person.

2.2 The Company has regularly organized the activities with sufficient budget in order to promote a collaborative working environment among all staffs with expectation to build a

harmony and drive their creativities such as the activities to promote Thai culture in Songkran Festival Day, Makha Bucha Day and to make merit altogether the management and staff for New Year Day. Furthermore, the Company also encouraged the staff to participate in dialogue activity to share their information, comments and knowledge among each other as well as how to establish a better living with work-life balance and avoid the risks from drugs.

2.3 The Company supports employees' welfare by setting a welfare committee which comprised of elected-staff to explore and share their opinions or comments from every levels which will benefit and facilitate properly to their jobs. All the requests, complaints and suggestions will be delivered and considered by the related authorized persons to ensure that they will be treated properly and fairly.

2.4 The Company has an employee benefits policy for short term and long term. The short term benefits are considered according to the employment conditions, competency and job responsibility comparing fairly and properly with the operating result and other companies in the same industry. By the way, the provident fund is also provided as a long term benefits which the employees can choose the rate of savings and investment policies that fit with their own (Employee's Choice).

2.5 The Company has set up the Safety, Health and Working Environment policy and committee to ensure that all working procedures are safe and comply with safety standard as well as set up a training and campaign to promote a good health and good working environment practices. The objective is to be a leader in safety production process by decreasing an accident to zero, and having none in operation finally.

2.6 The Company promotes and protects human rights by avoiding any action that may cause human rights violation such as illegal employment, non-permitted alien workers and child labor, or any supports to cause the above action.

2.7 The Company has not supported any action that violates copy rights or intellectual property by establishing intellectual policy to prevent our staff and organization from doing any faults related to technology, copy rights and the Company's working regulation.

### 3. Trading Partners

3.1 The Company has created a fair treatment with all partners in compliance with business condition and agreement as mutually agreed to develop and maintain a sustainable relationship.

3.2 The Company does not involved in any action that may causes trading conflict or fraud, and not to support any business transaction with any other companies which involved in such actions, for example, collusion, hoard, production restraint or unfair price competition etc.

3.3 The Company has determined fair criteria for partner evaluation and selection. The company will not support any actions that may cause conflicts of interests.

### 4. Shareholders

4.1 The Company has intended to extend the sustainable and continuous business growth, based on transparency and fairness, to become the leading company in steel industry and to create confidence and long-term value for shareholders.

4.2 The Company has disclosed precisely, completely and punctually information that may effect to shareholders' benefit and decision.

4.3 The Company monitored the undeliverable dividend cheque which hadn't been received by shareholders and followed to protect their rights.

### 5. Creditors

The Company has followed the borrowing condition and truthfully reports the Company's financial status as well as fulfills obligation when payment is due. We also facilitate creditors to have convenience and quick channel in receiving payment, such as payment through cash management centre, transferring into account, or receiving at the company.

### 6. Independent auditors

The Company strongly supports the independent auditors to perform their duties with independence, transparency and compliance with the requirements of the Securities and Exchange Commission and also provides best cooperation without any conflicts or disagreements as well as direct data or relevant document access and operator interview as the auditors' requirement. The Company also arranges an independent meeting for the Auditors and Audit Committee to meet without the management's attendance.

### 7. Competitors

The Company has committed to do business under the rules of decent competition and do not falsely disparage the reputation with unfair for competitors.



## 8. Community, Society, and Environment

8.1 The company has operated its business by mainly emphasizing on community, social and environmental care and strictly following the environmental laws and regulations. Therefore, the Company has set a Corporate Social Responsibility policy and Environmental policy which all the employees are communicated and acknowledged as the guideline for their general practices. The both policies are also published on the company's website and introduced in the employee orientation course.

8.2 The company has supported and promoted the employee to take part in natural resource's preservation and energy saving, including avoiding any action that may cause environmental pollution both in work time and daily life.

8.3 The company has collaborated and promoted the activities with governmental sector, sub-district administration organization or other non-profit organizations as it deems appropriate.

## 9. Government Sector

9.1 The Company has strictly conducted its business complied with Laws, Rules, and other regulations issued by Government sector.

9.2 The company is pleased to provide and share any corporate information for government sector to use as it deems appropriate.

### Actions on the good governance guideline

The Company issued a Code of Conduct for Directors, Managements and all employees to be a guideline for all operation to be based on right and equitable treatment with all stakeholders in term of integrity and law. Every employee must not perform any duties for self-benefit or look for its benefit from its operations. By the way, the

responsibility to community, society and environment shall be everyone's concern. Furthermore, the Company has set a Whistle Blowing Process to prevent and catch up with any risks or abnormal practices that may arise from the internal process or risks that can cause a damage to any assets, life or reputation and also any complaints, Illegal actions or clues which may lead to fraud or corruption within the organizations. In this regard, the Company has established the channels for all stakeholders to submit such information or complaints about the Company's operation directly to Independent Directors at E-mail: ind\_dir@thaimetaltrade.com and Facsimile : 02 670 9093

## Chapter 4 : Disclosure and Transparency

1. The Board of Directors has monitored for disclosure the significant information related to the Company's financial information and non-financial information in accordance with the regulations of SEC and SET and other relating notification with precisely, completely, on-time, and transparently for the equity of investors and stakeholders through various channel and procedure such as SET's channel, the Annual Registration Statement, Annual Report, and the Company's website. The Company also appointed the corporate secretary to take a duty and responsibility to provide and preserve such information as said.
2. In 2016, the analyst meeting is convened regularly at the Company's head office on a quarterly basis to announce the Company's operating results and financial status on the day after disclosure of financial statement to SET.
3. The Company's financial statement is audited and reviewed by a certified public accountant from PricewaterhouseCoopers ABAS Company Limited who is independent, specialized and skillful, and is certified by Securities and Exchange Commission Thailand. The Audit Committee was reported by such

auditor that they were independent, no difficulties and no disagreements with management while they were conducting a review or audit. The Company has disclosed the audit and other fee in the annual report. Furthermore, the Audit Committee also appointed EY Corporate Services Limited to plan and audit the internal control to ensure that the Company has a proper conduct and control as well as risk management in terms of adequacy and efficiency.

4. The Board of Directors prepared a report on the responsibilities for financial statements which was presented along with the auditor's report in the Annual Report of the Company.

5. The Board of Directors has monitored the disclosure of directors' role and duty, management remuneration and number of attending the meeting of the Board and other sub-committees as individual in the Company's annual report.

6. The Company has set up an Investor Relation Unit to keep in touch with investors, analysts and also government and public sectors. Below are the contact channels;

Telephone No. : 02 685 4000 ext. 6002

Facsimile No. : 02 670 9090-2

E-mail : [ir@thaimetaltrade.com](mailto:ir@thaimetaltrade.com)

#### Changes in the Shareholding of the Board and Executive

In 2016 , the Board of Directors and Executives has changes in the Shareholding as follows;

Name	Position	Share as of		Changes increase/(decrease)
		1 Jan. 16	31 Dec. 16	
1. Mr. Chai Jroongtanapibarn	Chairman of the Board, Chairman of Audit Committee, and Independent director	522,750	522,750	-
2. Mr. Soon Tarasansombat	Director and Chairman of Nomination and Remuneration Committee	160,380,000	158,150,000	(2,230,000)
3. Mr. Paisal Tarasansombat	Director, Chief of Executive Board and Chief Executive Officer	16,900,000	18,000,000	1,100,000
4. Mr. Komsan Tarasansombat	Director, Executive Director and Executive Vice President - Operations	33,046,675	33,309,575	262,900
5. Mr. Somjate Tretarnthip	Director, Nomination and Remuneration Committee, Executive Director and Chief Finance Officer	2,000,000	2,000,000	-
6. Mrs. Ratanavalee Gorsanan	Audit Committee, Nomination and Remuneration Committee and Independent director	272,000	272,000	-
7. Mr. Anake Pinvanichkul	Audit Committee, Nomination and Remuneration Committee and Independent director	272,000	272,000	-
8. Mr. Prawas Sontawakul	Chief Operations Officer	-	-	-
9. Ms. Petrung Measincee	Executive Vice President - Marketing	-	1,415,900	1,415,900
10. Mrs. Panlapa Tarasansombat	Executive Vice President - Human Resources	18,790,400	18,373,200	(417,200)

## Chapter 5 : The Board's responsibilities

### 1 The Board's structure

#### 1.1 The Board of Director

At the end of year 2016, the Board of Directors has its quorum of 7 persons comprised of 3 independent directors, 3 executive directors and 1 director who is not in management position. The Chairman of the Board is independent director. In this regard, such proportion is well counterbalance in the Board and complies with laws. Further Information about their scope of work, duties, and responsibilities is detailed in Management Structure section.

The term of directorship complied with the regulation detailed in the Company's Articles of Association that in every the Annual General Meeting of Shareholders, one-third of the Board of Directors shall retire by rotation, and if the number of directors can not be divided exactly into three parts, directors in a number close to one-third shall vacate office. The directors who remained in office for longest time shall vacate office and such directors can be re-elected.

The directors who position in the Board are forbidden to position in the company that may have conflicts of interest in order to perform their duty efficiently, unless the shareholders' meeting had been notified prior to appointment thereto. Further details of member of the Board's working experience provided in Board of Directors and Executives section.

#### 1.2 The Audit Committee

At the end of year 2016, the Audit Committee who was appointed by the Board of Directors has its quorum of 3 independent directors who had no conflict of interest and connected relationship with the Company, the Board of Directors, management, major shareholders, and any others related parties of aforesaid persons, and posses qualification stated by laws. In this regards, the Audit Committee have adequate expertise and experience to review creditability of the financial statements. Further information about their

scope of work, duties, and responsibilities is detailed in Management Structure section.

The term of directorship of the Audit Committee is 3 years from the date of being appointment. The committee who vacates from the office can be re-elected for another term.

#### 1.3 The Nomination and Remuneration Committee

At the end of year 2016, the Nomination and Remuneration Committee who was appointed by the Board of Directors has its quorum of 5 persons; consisted of 3 independent directors, 1 chairman who is not in management position and 1 executive director. Further information about their scope of work, duties, and responsibilities is detailed in Management Structure section.

The term of directorship of the Nomination and Remuneration Committee is 3 years from the date of being appointment. The committee who vacates from the office can be re-elected for another term.

### 2. An Independent Directors

The Independent Directors of the Company have possessed the qualification according to the independent standard set forth in the notification of the Capital Market Supervisory Board no. TorChor 4 / 2552 Re: Application for and Approval of Offer for Sale of Newly Issued Shares (No.2),

All those 3 independent directors are expertise in accounting and finance, experience in high management in other industry and understanding in the Company's business. The directors therefore can review creditability of financial statements and audit work.

### 3. The Corporate Secretary

The corporate secretary who was appointed by the Board of Directors is responsible for organizing the meetings of the Board of directors, committees and shareholders, and preparing the minutes of the Board's meeting, the minutes of other Committees' meeting, the

minutes of Shareholders' meeting and annual report as well as filing documents as specified by laws. Support and supervise the Company to perform in compliance with the laws and regulation of the Stock Exchange of Thailand.

#### 4. The Board's meeting

In 2016, The Company convened the Board of Directors and the Audit Committee's meeting once every quarter according to the schedule that are planned in advance and will call for the additional meetings as necessary. All directors have deemed it as important duty and responsibility to proceed. The Chairman of the Board regularly promoted prudent consideration and allocated adequate time for management to present significant issues and sufficient time for directors to express their opinion and discuss significant concerns carefully and neatly in the meeting, and assigned the corporate secretary to prepare and send a notice of meeting along with all related supporting documents to directors at least 7 days prior to the meeting date so as to provide the opportunity to directors to study the detail in each agenda. Details of meetings of the Board of Directors and the Audit Committee are provided in Management Structure section.

#### 5. Director and Management Nomination and Appointment

The Nomination and Remuneration Committee shall fix the nomination process and determine to propose the suitable directorial candidates in order to replace the retired directors or management when those positions are vacant or any new appointment set by the Board of directors or set by laws, and then propose to the Board and / or the shareholder's meeting to approve;

#### 6. Director and Management Orientation and Training

In case that new director is appointed, and has never been in the position of any committee or executive of the Company before, said director will be oriented by a top management or the corporate secretary for his or her acknowledgement of related code and conduct, corporate profile, nature of business, good corporate governance policy, business ethics, and other important information of the Company. Besides, the Company promotes and supports all directors and executives to obtain any skill or knowledge enhancement courses. In 2016, Directors have attended the Seminar or Training as follows;

Name	Position	Course	Institute
1. Mr. Paisal Tarasansombat	Director, Chief of Executive Board and Chief Executive Officer	SMART Coaching Skill	Angkhanalak
2. Mr. Komsan Tarasansombat	Director, Executive Director and Executive Vice President Operations	SMART Coaching Skill	Angkhanalak
3. Mr. Prawas Sontawakul	Chief Operations Officer	SMART Coaching Skill	Angkhanalak
4. Ms. Petrung Measincee	Executive Vice President - Marketing	Dialogue	Ariyachon Co., Ltd.
		Neuroscience for Life	FLOW115
		SMART Coaching Skill	Angkhanalak
5. Mrs. Panlapa Tarasansombat	Executive Vice President - Human Resources	Leadership for Sustainable Organization	APM Group
		People Analytics : From Data to Actionable Insights	The Executive Alliance Co., Ltd.
		SMART Coaching Skill	Angkhanalak
		Transformative Engagement Workshop	PRANA Consulting Co., Ltd.

## 7. Leadership and Vision

The Board of Directors shall possess leadership, vision, and independency on decision-making to set out the business development plan and targets and to consider the operating budget for the optimum benefits to shareholders and for the business growth of the Company. In 2016, the Board of Directors has reviewed the vision, policies and strategies which was implemented during the year and evaluated and followed up the result to make sure that such execution are effective. In the meantime, the target for the year 2017 was delivered and also communicated to the management and staff for their acknowledgement in order to set their KPI together.

## 8. The Remuneration of directors and executives

The remuneration of each committee was determined by the Nomination and Remuneration Committee which can be decomposed into 3 types; director allowance, meeting allowance, and bonus according to the criteria that fixed at an appropriate level and comparable with the same level in the industry and complied with the Company's operating results, experiences, duties, responsibilities, and performances of each directors and executives in order to attract and maintain qualified directors. Policy that the Nomination and Remuneration Committee use as guideline to fix such remuneration is according to the policy prescribed by the Board of Directors. In this regards, such remuneration shall take in to account in the Annual General Meeting of Shareholder for approval.

## 9. Business Ethics

The Board of Directors has recognized the importance to conduct its business with ethics by issuing the business ethics manual as a guideline for management to carry out their duties with transparency, integrity, considering on all stakeholders, compliance with laws and regulations. It also uses as guideline for employees to operate their work with honesty and properly. The Board regularly monitors the conducting of work whether such guiding principle is followed as expected. The Company

has provided the Code of Conduct guideline and practices training to staff and also included as an employee orientation course.

## 10. Conflicts of Interest

The Board of Directors and the audit committee together took into account and monitored the issue that may cause conflict of interest carefully so as to check reasonability and necessity of entering into the transaction. The Board also arranges the Company to disclose such conflicts to all related stakeholders and agencies after it was approved by the Board.

## 11. System of Control and Internal Audit

The Company has segregated the authority and duties of operator, supervisor and assessor independently in order to check and balance their performance and control appropriately. Also, the Company has authorized the Audit Committee to review the compliance of operation control with the internal auditor; which was appointed by the committee, EY Corporate Services Limited; who is creditable and independent, to propose and conduct the annual internal audit plan, and to report and recommend according to the result of such audit. This will enhance the system of control and efficiency of work.

## 12. Report on the responsibilities of the Board of Directors towards the financial report

The Board of Directors is responsible for the financial statements and financial information presented in the Annual Report. The aforementioned financial statements have been prepared in accordance with Generally Accepted Accounting Standards in Thailand, based on the appropriate accounting policies and corresponding to its operation and practice regularly, as well as reasonableness in making projections, and adequately disclosing significant information as indicated in the notes of financial statements. The Board of Directors therefore prepared a report on the responsibilities for said matters and presented along with the auditor's report in the Company's Annual Report.



# Corporate Social Responsibility



The Company conducts its business with concern of all consequences which impacts to all stakeholders on the basis of good morality and business ethics as well as human rights respect. The Company strives to produce and deliver the best quality products and services along with environmental and social responsibility which is not just only complies to those related laws and regulations. The Company also realizes that continuity of improvement and development will establish the sustainability of business and social responsibility.

## Corporate Social Responsibility Operations:

The Company has deployed the guideline of corporate social responsibility policy into all business operations as the following;

### 1. Fair and good governance conduct

The Company commits to conduct its business in compliance with principles of good corporate governance based on responsibility, transparency and honesty according to the Company's business code of conduct

which is the guideline for Directors, Executives and all staff to treat all parties such as customers, staff, business alliances and competitors, community, society and environment safely and fairly. This policy and code of conduct have been delivered and communicated to all staffs for their daily operation compliance.

### 2. Anti-Corruption

All the Company's staff including Directors and Managements has to perform their duties and responsibility in accordance with good corporate governance conduct and strictly comply with the relevant laws and regulations. All staff must not participate or involve in any fraud or corrupted transaction directly or indirectly and also will not provide or accept any benefits or offers that value much more than the good moral traditional practice. In year 2016, Anti-Corruption Committee has deployed the policies and measures which was scheduled to report to the Audit Committee and the Board as follows;

Item	Report to the Audit Committee and Board
1. Summary of the policy implementation	Every Quarter
2. Summary of the donation of gifts and supports	Every Quarter
3. Summary of the receipt of gifts and supports	Every Quarter
4. Summary of the issues from whistle-blowing and complaints (including corrective action or punishment).	Report Immediately
5. Other related issues	Every Quarter

Which the details of its implementation are as follows;

1. Providing training courses and communication for all levels of staff to clarify the best practices to prevent and act against corruption, and also provide a self e-learning system for employees.
2. Improving the procedures for Whistle-blowing which provides more alternatives of contact channels.
3. Review the regulations to cover for all directors, managements and employees.
4. Reporting summary of the donation and receipt of gifts and supports to the Audit Committee and the Board.
5. Setting the procedure of risk assessment and internal control of Anti-Corruption risks and executing as its plans.

### 3. Human Rights Respect

The human rights respect is a part in business code of conduct which promotes the Company to concern and respect the human rights of all employees as well as avoiding any actions that may cause human rights violation such as illegal employment, non-permitted alien workers and child labor, or any supports that may cause the illegal or immoral action.

### 4. Fair Employment and Treatment

The Company has an employee benefits policy for short term and long term. The short term benefits are considered according to the employment conditions, competency and job responsibility comparing fairly and properly with the operating result and other companies in the same industry. By the way, the provident fund is also provided as a long term benefits

which the employees can choose the rate of saving and investment policy that fits for their own (Employee's Choice).

### 5. Responsibility to Customers

The Company delivers its products and services to customers with reliable responsibility that it must meet the customer's expected value and quality. Meanwhile, the information for customer's decision should be provided correctly and properly as well as the business conditions and commitment must be fulfilled and maintained. Therefore, the Company always emphasizes on quality control and verifies its products and services that should be handled through the most reliable production process and complied with agreed standards.

### 6. Environmental Responsibility

The environmental responsibility is a part of business conduct that must be taking care along with the business operations. The Company promotes and educates its employees this responsibility should be a part of daily operation and life, avoiding any actions that may cause the pollution or inefficiency in energy usage and must be strictly complied with environmental laws and regulations.

### 7. Community and Social Development

The Company prioritizes the social responsibility as a major role which must be conducted along with its normal business functions. Any activities which benefits and values to the nearby community will be supported and also be encouraged to the employee to share and participate in order to create and establish the mutual sustainability of well-being society.

## 8. Innovation and its sharing from the operation of social responsibility

Innovation is one of major key successes in business sustainability which will create and improve the competitiveness. With this belief, the Company promotes and encourages all staff to challenge its innovative ideas which values and create efficiency in job operation, with or without tools.

### Stakeholders of Social Responsibility

The company has reviewed and analyzed the impact of stakeholders on a regular basis. In year 2016, the Company has considered that the stakeholders who will be affected from its operation were categorized as the followings;

**Customers** : The Company recognizes that Customers are the key influencer of success and growth of the business, therefore, the customer satisfaction is an important priority to respond. In year 2016, the customer satisfaction survey resulted 88% of respondents were satisfied at high to highest level in quality of products and services. For those, if any, results which were not at the target level or any recommendations from the survey, the Company will explore the cause and improve or develop further to meet with their expectations. The Company also provides the trainings to Customers' contractor for steel knowledge to apply for their steel usage properly according to industrial standards.

**Employees** : In year 2016, the Company has a total of 933 staffs, increased of 65 or 7.48% from last year. As a valuable resource, the Company promotes and supports all staff to achieve a better quality of work life and opportunity for career progress. The improvement for staff welfare was implemented such as; improving the quality of rice in the canteen, increasing the drinking water service points in the plant area, providing the facility for employees to complete their basic education level in the plant, Improving the lighting in night time surrounding the plant

area, improving the occupational safety, health and environment activities and protocol under the Anti-drugs project, enhancing living standard project and social responsibility project which benefits to their life, health and working environment such as; personal finance and savings, safe drive, safe crane usage.

**Shareholders** : The Company realizes that the rights of shareholder, as the Company's owner, should be treated in compliance with the principle of good governance. Besides the communication through the Annual General Meeting of shareholders, the Company also discloses all important information through the SET network and TMT's website as well as the channel to reach the independent directors and IR contact person directly. The analyst meeting was also convened in every quarter of the year to share the business information for investors' view.

**Trading Partners** : Trading Partners are the important parties in TMT business supply chain, providing valuable materials and services that assists TMT to deliver the best solution to the industry. The success key factors to build the sustainable relationship among the partners are Fairness and Reliability which are always the way of TMT's operation. The Code of Conduct for Trading Partners also provides for the best practice and understanding of doing business together as well as the direct channel to send the recommendation or any complaints which may have through the web site to assure the independency and sustain the best relationship.

**Community and Society** : The Company has supported activities and equipment that benefit the community and society. In 2016, the Company provided equipment and donation for surrounding community such as; medical equipment for Wangnoi Hospital, incinerator for Wat Yammana Tam Tham, living supplies for bedridden patients in the community with

the Lamsai Sub district Administrative Organization, scholarships for students of Wichian Klinsukhon Uppatham School, equipment for making the calendar for the Blind, joining the governmental activities to promote a better environment in the community such as; planting trees around the community, the campaign to reduce global warming by bike and supporting Children Day activities to schools around the plant.

Furthermore, the Company also evaluated itself by examined with Ayutthaya Industrial Office and Lamsai Sub district Administrative Organization whether there are any complaints from public to the Company which was found none for any issues.

**Environment :** The Company has operated its business by mainly emphasizing on the environment, supported and promoted to take part in natural resources and energy conservation. In year 2016, the Company has implemented energy saving project; "Change the lighting in the plant" By using LED lighting to replace conventional lamps to reduce the power usage. Meanwhile, "Guidelines of the Energy Conservation Promotion Act" and "Energy Conservation Technology" were presented as the employee's training courses.

In 2016, the Company has been certified standard of Carbon Footprint from Thailand Greenhouse Gas Management Organization (Public Organization) as to be a part of private organization to reduce the greenhouse gases emission from all activities directly or indirectly. This will benefit to the efficiency of power utilization and environmental protection which was the second consecutive year.

As the result from its activities of Corporate Social Responsibility, in 2016, the Company

received the CSR-DIW Continuous Award 2016 from Department of Industrial Work. The awards and certificates were given to the Company that has developed and maintained the Corporate Social Responsibility activities continuously which was the third consecutive year.

#### **Activities for society and environment (After process) :**

**"Waste for Community"** (Feb.16) The Company encourages employees to be aware of public and environmental care by separating the waste into its proper storage which not only builds the cleanliness in workplace but also can easily sell the waste and return the value back to the community.

**"TMT Education Program"** (May.16) TMT signed the MOU between TMT with Non-Formal Education Centre Wangnoi district for the intention to support the basic level education for employees by using TMT Knowledge Center and facilities for their studying class.

**"Chak Rongrian Soo Rong Lhek" (From School to Steel)** (Jul.-Nov.16) Professor and Students from Phra Nakhon Si Ayutthaya Technical College, Faculty of Architecture of Silpakorn University and Faculty of Public and Environmental Health of Huachiew Chalermprakiet University visited TMT Knowledge Center and production plants. The objective is to understand the production process under TISI standard, international standard practice for testing procedure in laboratory and also occupational health and safety care management.

**"TMT with Kasetwisai Industrial And Community Education College signed an academic memorandum"** (Sep.16) To establish a network education and develop the profession to create skillful technicians which will enhance and enrich the industrial education to compete with international standards.

**“Annual Health Check-Up”** (Dec.16) The Company realizes that staff of the company is one of the most important key success. Therefore, the Company provides many welfares as well as annual health check-up for its employees together with health care guides by the doctors.

**“Training for student interns”** TMT strives to be a learning center for the Educational Institution and other local communities and authorities. In 2016, there are students from several institutions joined a training program with the Company, and expected that they will be able to deploy in their study and working effectively in the future. In 2016, there were 42 student interns; 34 interns from bachelor level, 7 interns from high vocational level and 1 intern from vocational level.



# Internal Control and Risk Management

The Board of Directors emphasizes the adequacy and efficiency of internal control and risk management by designating Audit Committee to review and assess the 5 components of COSO frame works which are the control environment, risk assessment, control activities, IT and communication system and monitoring activities consistently. The Board of Directors expresses its opinion that the internal control is in good and proper conduct. The Management also effectively provides and utilizes sufficient resources and people to operate its best control practices to ensure both the Company's assets are safeguarded and any fraud or corrupt transactions will not be occurred. The related transactions with any conflict of interest parties will be verified and complied in accordance with related regulations and laws strictly.

The Board of Directors provides its opinion that the internal control system and risk management are good and efficient to ensure rationally that the business operations and practices are well performed with good governance conduct and sound risk management as well as compliance with related regulations and laws and generally accepted with Thai accounting principles and standards.

The Audit Committee has appointed EY Corporate Services Limited to be responsible for internal audit planning and review according to approved audit plan by the Audit Committee. The reputation and qualification of this internal auditor both its firm and people are well experienced and verified in relevant business and industry and also can be confident that the auditing process will be conducted fairly and independently.

# Connected Transactions

In Year 2016, the Company had connected transactions as follows;

## Soon Huat Steel Co.,Ltd.<sup>1</sup>

### Relationship :

Five members of Tarasansombat family who are in the top ten shareholders, namely Mr. Soon, Mrs. Pornjit, Mr. Paisal, Mr. Komsan, and Mr. Chamnan which each shareholding are 38.21, 6.89, 4.13, 7.59, and 8.40 percent respectively, are shareholders of Soon Huat Steel Co.,Ltd. whose combined shareholding accounted for 92 percent. Moreover, the Company and such company have two same directors namely Mr. Soon Tarasansombat and Mr. Paisal Tarasansombat, and Mr. Paisal Tarasansombat also the authorized director of those two companies.

### General Characteristics of the transaction :

The office building lease renewal on 131 Rama III Road, Bangkholaem Sub-district, Bangkholaem District, Bangkok with Soon Huat Steel Co., Ltd. which Rama III Plant and Distribution center of the Company is currently located. The term of lease renewal is 3 years from April 1, 2016 to March 31, 2019, with rental rate of Baht 200,000 per month (Same rate) which the payment date due on the 5<sup>th</sup> of each month.

### Total Value of transaction :

7,200,000 Baht ( for a three-year lease contract )

### Opinion of the Board / Audit Committee /

### The importance and reasonableness of the transaction :

This transaction is reasonable and fair with clear stipulation of lease term and rental rate, and such rental rate is lower than the current market price and the appraisal value reported by U.K. Valuation and Agency Co.,Ltd. (an independent appraiser approved by SEC) on January 9, 2016 of Baht 390,490 per month or Baht 4,685,880 per year that will bring the highest benefit to the Company. The Board of Director's meeting no. 1/2016, held on February 19, 2016, resolved to approve the Company to enter into a renewal of such transaction for 3 years tenor with the same conditions and rental rate. In this regards, the directors who have conflicts of interests were not present in the meeting and had no voting rights in this agenda.

## Mr. Komsan Tarasansombat

### Relationship :

Mr. Komsan Tarasansombat is the authorized director of the Company and also one of the top ten shareholders by holding 7.59 percent of its total issued and paid up shares and relationship as Son of Mr. Soon Tarasansombat and Brother of Mr. Paisal Tarasansombat.

### General Characteristics of the transaction :

1. Lease of 5 plots of land and plant building which located at 129 Rama III Road, Bangkholaem Sub-district, Bangkholaem District, Bangkok as Rama III Plant and Distribution center of the Company. The term of lease is 3 years from January 1, 2016 to December 31, 2018 with rental rate of Baht 250,000 per month (Same rate as the previous lessor) which its payment date due on December 31 of each year.

### Total Value of transaction :

9,000,000 Baht ( for a three-year lease contract )

### Opinion of the Board / Audit Committee /

### The importance and reasonableness of the transaction :

This transaction is reasonable and fair with clear stipulation of lease term and rental rate, and such rental rate is lower than the current market price and the appraisal value reported by U.K. Valuation and Agency Co.,Ltd. (an independent appraiser approved by SEC) on January 24, 2015 of Baht 633,625 per month or Baht 7.6 million per year that will bring the highest benefit to the Company. The Board of Director's meeting no. 1/2016, held on February 19, 2016, resolved to approve the Company to enter into a renewal of such transaction for 3 years with the same conditions and rental rate. In this regards, the directors who have conflicts of interests were not present in the meeting and had no voting rights in this agenda.

2. The use of the land with area of 2 rai, 2 ngan and 70 square wah which is a part of the land located at 131 Rama III Road Bangkholaem Sub-district,

Bangkholaem District, Bangkok is allowed by Mr. Komsan Tarasansombat to renew without any charges from January 1, 2016 to December 31, 2019 (Same conditions as the previous lessor) thereafter the rental rate shall be considered based on the market rate. In this regards, the Company has to take all the utility cost and any tax related to or by the using of those land.

**Total Value of transaction :**

- Baht

**Opinion of the Board / Audit Committee /**

**The importance and reasonableness of the transaction :**

This transaction benefits the Company's operation. The Board of Director's meeting no. 4/2016, held on November 11, 2016, resolved to approve the Company to enter into a renewal of memorandum of land use.

**Commerz Pte.Ltd.<sup>2</sup>**

**Relationship :**

Mr. Paisal Tarasansombat, the Company's authorized director and Chief of Executive Officer, is director of Metal Commerz Pte.Ltd. and holds 22.88 percent of its total issued and paid up shares. Mr. Komsan Tarasansombat, the Company's authorized director is major shareholder of Metal Commerz Pte.Ltd. by holding 18.73 percent of its total issued and paid up shares.

**General Characteristics of the transaction :**

The Company purchases Hot Rolled Coil from Metal Commerz and uses for processing to steel products and then sells to local end users. Metal Commerz performs as a sourcing arm for raw materials and steel products from various mills around the world with competitive price than those of other foreign suppliers.

**Total Value of transaction :**

713,332,803 Baht

**Opinion of the Board / Audit Committee /**

**The importance and reasonableness of the transaction :**

The transaction is based on normal business transaction which was approved in principle by the Board of Director's meeting no. 3/2008. Moreover, the purchasing price is not higher than the market price which the Company may purchase from other

suppliers. The Company benefits from this transaction not only the price, but also a better balance of purchasing power among local and foreign market.

**Connex Business Online Co., Ltd.**

**Relationship :**

Mr. Paisal Tarasansombat, the Company's authorized director and Chief of Executive Officer, and Mr. Somjate Tretarnthip, the Company's authorized director and Chief Finance Officer, each person is director and holding 4 percent of its total issued and paid up shares in aforesaid the company, Mr. Komsan Tarasansombat, the Company's authorized director and Executive Vice President - Operations, brother of Mr. Chamnan Tarasansombat who is authorized director and major shareholders of CONNEX as well as one of the top ten shareholders of the Company by holding 8.40 percent of its issued and paid up shares.

**General Characteristics of the transaction :**

1. Renewal maintenance contract for Warehouse Management System from July 24, 2016 to July 23, 2017
2. Renewal maintenance contract for Weighing Machine System from July 1, 2016 to June 30, 2017.
3. Software design and programming for Warehouse Management Systems Phase II from June 1, 2016 to September 30, 2016

**Total Value of transaction :**

997,510 Baht

**Opinion of the Board / Audit Committee /**

**The importance and reasonableness of the transaction :**

The transaction is based on normal practice according to the annual maintenance of TMS system which was implemented by CONNEX. The service rate is not higher than the market price which the Company may purchase from other suppliers. CONNEX knows TMT's nature of business very well and this will bring the highest benefit to the Company.

Remarks :

- 1 *Soon Huat Steel Co.,Ltd. has not continued its steel business since TMT was established in year 1992. It currently operates only lease of property.*
- 2 *Metal Commerz Pte.Ltd. is an intermediary who provides steel products sourced from around the world which the head office is located at Singapore. The Company has gains from information regarding market price, and referrals from manufacturing mills which the Company can negotiate for better price by comparing it with other suppliers. Most of Metal Commerz's customers are in Asia region, namely, China, Taiwan, Indonesia, Singapore*
- 3 *The above information about the name of shareholders and their shareholding is as of March 7, 2016 (the lasted book closing date for the rights to attend the Annual General Meeting of Shareholders for year 2016).*

# Management Discussion and Analysis

## Financial Results

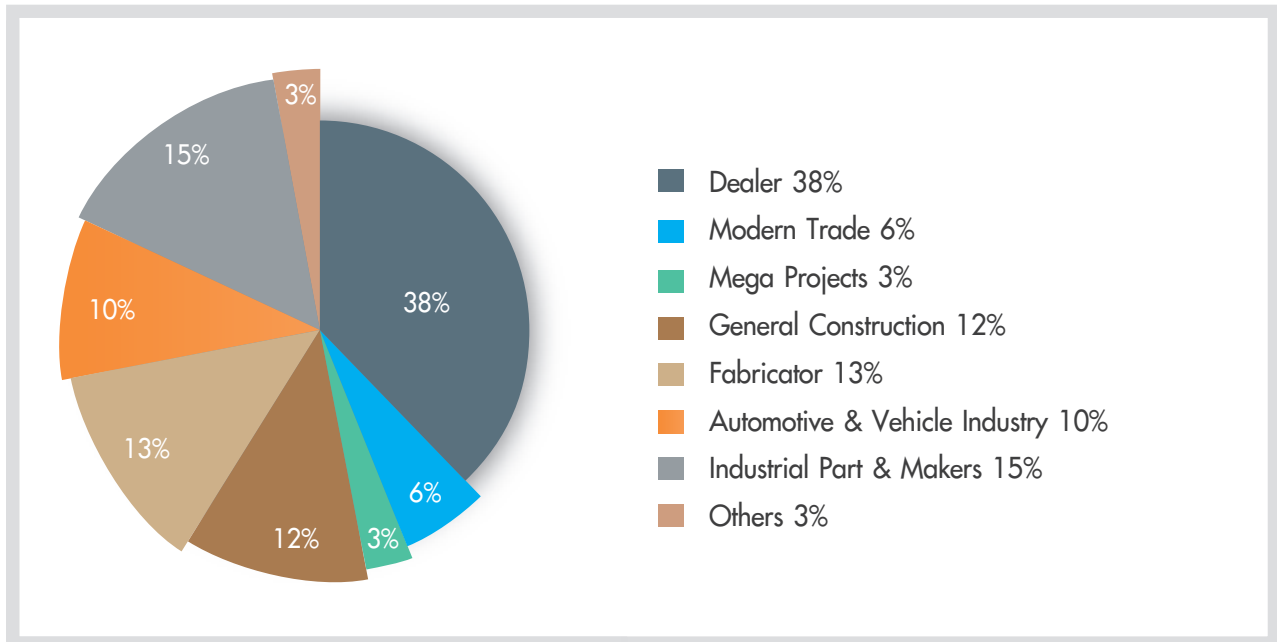
In 2016, the Company earned net profit of Baht 908.95 million, increased 183.49% with gross profit margin of 12.71% compared with 7.20% in 2015. This increasing of gross profit margin resulted from increasing of steel price into uptrend in 2016 which were mainly from reducing production capacity of major steel producers in China and worry on consideration of issuing more Anti-Dumping measures of the Government. All the above factors caused the steel supply and inventory previously over in the market to shrink considerably and had shortage situation in some periods which caused the global steel price increased rapidly and consequently hiked up the domestic price. Additionally, the Company could also

increase sales quantity in 2016. As a result the Company's gross profit margin increased from the previous year. The average selling price in 2016 decreased by 5.44% compared to the previous year from the domestic and global steel price fluctuation throughout the year 2016.

## Sales revenue

The company generated revenue from sales of Baht 12,464.98 million, increased by 7.75% compared with 2015. In 2016, the sales quantity was 649,180 Metric Tons, increased by 14.31% compared with 2015. The average selling price was 19.30 Baht per Kg.

In 2016, the Company's revenue structure classified by business group was as follows:



The proportion of processing and trading sales was 69:31 compared to 62:38 in 2015.



### Selling and Administrative expenses

The Company's selling expense was Baht 152.29 million, increased by 2.02% compared to the previous year. This increasing of selling expense resulted from an increase of transportation expense which was due to the sales volume and shipments growth. Administrative expense was Baht 304.53 million, increased by 6.10% compared with 2015, resulted mainly from an increasing of staff expense and maintenance cost. Interest expense was Baht 48.37 million, decreased by 18.74% compared with 2015, resulted from the lower average interest rate cost compared with the previous year.

### Financial position

#### Assets

The Company's assets totaled Baht 6,078.87 million, increased by 31.59% from 2015 whose assets totaled Baht 4,619.70 million. Current assets increased by Baht 1,027.90 million, or 34.51% resulted from increasing in inventory of Baht 779.36 million and trade account receivable of Baht 203.18 million as the increase in sales revenue. The inventory turnover period and collection period were 41 days and 53 days respectively. The Company's liquidity, current ratio, was 1.25 times in 2016, same as in 2015.

The Company's Non-current assets increased Baht 431.27 million or 26.27%, mostly resulted from increasing of land Baht 591.39 million to support future business expansion, asset disposal Baht 1.18 million, net intangible assets (software) Baht 0.52 million and depreciation Baht 160.60 million.

### Liabilities

Total Liabilities were Baht 3,245.90 million, increased by 34.53% compared with 2015 whose liabilities totaled Baht 2,412.69 million. Increasing of liability mostly came from short-term loan from financial institution which increased Baht 720.46 million or 33.92%. Trade account payable decreased Baht 19.16 million or 16.39% compared with the previous year. Under the Company liability policy, the Company used less trade credit from suppliers because of its higher cost comparing with the cost of short-term borrowing from financial institutions. Additionally, suppliers preferred cash purchase and provided cash term for their sales. Therefore, the Company used source of fund from a financial institution as working capital in managing inventory and accounts receivable. The Company's debt to equity ratio slightly increased from 1.09 times in 2015 to 1.15 times in 2016.

#### Shareholders' equity

Total shareholders' equity equaled Baht 2,832.97 million increased Baht 625.95 million or 28.36% compared with the 2015 whose shareholder's equity totaled Baht 2,207.01 million, resulted from increasing of Retained earnings.

# Report Of The Audit Committee

The Audit Committee of Thai Metal Trade Public Company Limited is comprised of three independent directors. The Company's Chief Finance Officer serves as committee secretary. The Audit Committee is empowered by the Board of Directors to examine all matters relating to the financial status of the Company, and its internal and external audits. The Committee pursues and promotes good corporate governance by actively creating awareness and providing advice to management on sound risk management and internal control practices.

For the year 2016, the Audit Committee held four meetings to review the Company's financial statements which had been certified by the external auditor and to discuss other related activities of the Company in compliance with the rules and regulations of the Stock Exchange of Thailand as well as good internal control practices.

In such meetings, the Audit Committee met independently with the management and the internal and external auditors of the Company, conducted reviews and evaluations of accounting policies, the procedures relative to the accounting policies, the internal control assessment, and the audit plan. The Audit Committee also verified and accepted every quarterly financial statements and provided assessments and recommendations to the Board of Directors. Where weaknesses were identified in internal controls, corrective action plans were established to eliminate or reduce the associated risks.

The Internal Auditor serves to identify and verify business risks and control weaknesses within the Company by carrying out audit activities systematically. The reports on compliance with good internal control practices and procedures with recommendations were discussed with the relevant management team to incorporate their agreed action plans and submitted to the Audit Committee. Furthermore, the Internal Auditor has held regular meetings with the Audit Committee to give updates on audit results. The Audit Committee is fully committed to ensure that both corrective and preventive actions are taken in an effective and timely manner.

The Board of Directors with the Audit Committee approved the policy and reports for related party transactions in 2016.

According to the mentioned mission, The Audit Committee provided its opinions as the following :

1. The Company's financial reports are accurate, complete and reliable
2. The Company's assets are safeguarded, proper accounting records are maintained, and resources are utilized effectively and efficiently.
3. The Company complied with the securities laws, the Exchange's regulations, and other laws relating to the Company's business.
4. Mr. Prasit Yuengsrikul of PricewaterhouseCoopers ABAS, the Company's auditor, is suitable and provided appropriate services

5. The related transactions arising in 2016 were rational and made for the optimal benefits of the Company
6. In 2016, the number of the audit Committee meetings, and the attendance of such meetings by each committee member were as follows;
- |                           |                                 |     |
|---------------------------|---------------------------------|-----|
| Mr. Chai Jroongtanapibarn | Chairman of the Audit Committee | 4/4 |
| Mrs. Ratanavalee Gorsanan | Member of the Audit Committee   | 4/4 |
| Mr. Anake Pinvanichkul    | Member of the Audit Committee   | 4/4 |
7. Audit Committee performed its duties in accordance with its charter, approved by the Board of Directors.

Accordingly, the Audit Committee has recommended to the Board of Directors that Mr. Paiboon Tunkoon, Certified Public Accountant No. 4298 of PricewaterhouseCoopers ABAS Company Limited, be re-appointed as the Company's auditor for the fiscal year ending 31 December 2017. The re-appointment of the auditor and acceptance of its fees will be subjected to the approval of the shareholders at the Annual General Meeting to be held on 5 April 2017.



**Chai Jroongtanapibarn**  
Chairman of the Audit Committee  
17 February 2017

## Report of Directors Relating to Responsibility for Financial Statements

The Board of Directors is responsible for Thai Metal Trade Public Company Limited (“the Company”)’s financial statements including financial information presented in the annual report. The financial statements have been prepared by management in conformity with generally accepted accounting principles, with appropriated accounting policies applying consistently; and based on management’s best estimates and judgments, with adequate disclosure of material issues for the best interest of shareholders and investors.

The Board of Directors has set up and maintains effective internal control system designed to provide management with reasonable assurance that transactions are recorded properly, the assets are safeguarded and that material frauds and malpractices are precluded.

The Board of Directors also appointed the Audit Committee to review accounting policies, accuracy and sufficiency of the company’s financial reports to ensure adequacy and efficiency of the internal control systems in compliance with good conduct and best practice as well as IT audit, and risk management system review. The Audit Committee appointed EY Corporate Services Limited to be internal control auditor to plan and conduct the internal audit as approved plans by the committee. Opinion of the Audit Committee is shown in Audit Committee’s Report published in this annual report.

The Company’s financial statements are also audited by an independent certified public accountant from PricewaterhouseCoopers ABAS Company Limited. The Board of Directors also support the management to prepare and provide documents and information so that the auditor can perform its audit independently in accordance with generally accepted auditing standards and to express his independent opinion on the true and fair of the financial positions and the results of the company’s operations as stated in the financial statements. There is no any disagreement or different opinion among auditor, management and audit committee. Auditor’s Report is also shown in this annual report.

The Board of Directors is of the opinion that the internal control and risk management system of the Company are in good and efficient conduct and can ensure rationally that the operations are compliance with best practice and proper risk management as well as the Company’s financial report for the fiscal year ended 31 December 2016 is in accordance with generally accepted auditing standards and its compliance with the laws and related legislation.



(Mr. Chai Jroongtanapibarn)  
Chairman of the Board



(Mr. Somjate Tretarnthip)  
Director

## Independent Auditor's Report

To the shareholders and the Board of Directors of Thai Metal Trade Public Company Limited

### My opinion

In my opinion, the financial statements of Thai Metal Trade Public Company Limited (the Company) present fairly, in all material respects, the financial position of the Company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

### What I have audited

I have audited the accompanying financial statements of the Company, which comprise the statement of financial position as at 31 December 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

### Basis for opinion

I conducted my audit in accordance with Thai Standards on Auditing (TSAs). My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the Company in accordance with the Federation of Accounting Professions under the Royal Patronage of his Majesty the King's Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to my audit of the 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 financial statements of the current period. I determine one key audit matter: Valuation of inventory. The matter was addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on the matters.

Key audit matter	How my audit addressed the key audit matter
<p><b>Valuation of inventory</b></p> <p>Refer to Note 4 'Critical accounting estimates, assumption and judgement' and Note 8 'Inventories, net' to the financial statements:</p> <p>As at 31 December 2016, the Company had raw materials totalling Baht 140,726,845 million and finished goods totalling Baht 1,480,455,134 million before deducting the allowance for net realisable value for raw materials and finished goods for Baht 1,854,601 million and 5,775,988 million respectively.</p>	<p>I obtained an understanding of the Company's policy for net realisable value calculation, the process of data collection and accuracy review, and the consistency in implementing Company accounting policies.</p> <p>I performed the internal control testing over the procurement cycle to the purchase requisition, purchase orders, goods receiving, payments and recording to reflect the accuracy of the cost of inventory.</p>



Key audit matter	How my audit addressed the key audit matter
<p>The Company measured the inventory values at the lower of cost or net realisable value. The management estimated net realisable value from selling prices in the ordinary course of business, less applicable variable selling expenses such as for marketing, transportation, etc.</p> <p>Management prepared the net realisable value calculation report based on the selling price of inventory at year end and evaluated the accuracy of the allowance for net realisable value by quarter.</p> <p>I focussed on this area because the selling price that the Company used in estimating the allowance for net realisable value was based on domestic market prices, which were fluctuated depending on supply and demand forces.</p>	<p>To test the appropriateness of selling prices per unit, I randomly tested the selling prices per unit on quotations against market prices at year end and inquired the management to obtain an understanding of the appropriateness of the selling prices per unit from Company management.</p> <p>I tested the calculation of net realisable value at year end for both raw materials and finished goods, including any reconciliations that were recorded.</p> <p>Based on the procedures above, I viewed that the management's estimation on allowance for net realisable value is reasonable.</p>

### Other information

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

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

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

When I read the annual report, if I conclude that there is a material misstatement therein, I am required to communicate the matter to the audit committee.

### Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with TFRSs, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The audit committee assists the directors in discharging their responsibilities for overseeing the Company's financial reporting process.

## Auditor's responsibilities for the audit of the financial statements

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

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

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

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

PricewaterhouseCoopers ABAS Ltd.



**Prasit Yuengsrikul**

Certified Public Accountant (Thailand) No. 4174

Bangkok

17 February 2017

**Thai Metal Trade Public Company Limited**  
**Statement of Financial Position**  
**As at 31 December 2016**

	<b>Notes</b>	<b>2016 Baht</b>	<b>2015 Baht</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	174,328,629	368,420,129
Trade accounts receivable, net	7	1,927,451,209	1,724,269,900
Inventories, net	8	1,613,551,390	834,188,157
Advance payments for purchases of inventories		262,741,749	911,987
Other receivables		27,989,517	50,371,560
<b>Total current assets</b>		<b>4,006,062,494</b>	<b>2,978,161,733</b>
<b>Non-current assets</b>			
Investment property	9	55,729,000	55,729,000
Property, plant and equipment, net	10	1,986,637,581	1,557,023,347
Intangible assets, net	11	19,881,669	19,361,087
Deferred income tax assets	12	6,305,958	5,861,223
Other assets		4,253,544	3,566,581
<b>Total non-current assets</b>		<b>2,072,807,752</b>	<b>1,641,541,238</b>
<b>Total assets</b>		<b>6,078,870,246</b>	<b>4,619,702,971</b>

**Thai Metal Trade Public Company Limited**  
**Statement of Financial Position**  
**As at 31 December 2016**

	<b>Notes</b>	<b>2016 Baht</b>	<b>2015 Baht</b>
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Short-term loans from financial institutions	13	2,844,253,138	2,123,796,009
Trade accounts payable		97,741,971	116,905,466
Income tax payable		83,805,357	38,512,950
Advance receipts from customers for goods		15,311,876	4,706,547
Current portion of finance lease liabilities	14	1,254,387	1,592,000
Other payables	15	170,645,419	98,626,250
<b>Total current liabilities</b>		<b>3,213,012,148</b>	<b>2,384,139,222</b>
<b>Non-current liabilities</b>			
Finance lease liabilities, net	14	2,291,538	5,603,625
Employee benefit obligations	16	30,599,934	22,946,895
<b>Total non-current liabilities</b>		<b>32,891,472</b>	<b>28,550,520</b>
<b>Total liabilities</b>		<b>3,245,903,620</b>	<b>2,412,689,742</b>
<b>Equity</b>			
Share capital	17		
Authorised share capital			
436,000,000 ordinary shares of par Baht 1 each		436,000,000	436,000,000
Issued and paid-up share capital			
435,379,017 ordinary shares of paid-up Baht 1 each		435,379,017	435,379,017
Premium on share capital	17	427,323,198	427,323,198
Retained earnings			
Appropriated - legal reserve	23	43,600,000	43,600,000
Unappropriated		1,926,664,411	1,300,711,014
<b>Total equity</b>		<b>2,832,966,626</b>	<b>2,207,013,229</b>
<b>Total liabilities and equity</b>		<b>6,078,870,246</b>	<b>4,619,702,971</b>

**Thai Metal Trade Public Company Limited**  
**Statement of Comprehensive Income**  
**For the year ended 31 December 2016**

	<b>Notes</b>	<b>2016 Baht</b>	<b>2015 Baht</b>
Sales		12,464,984,326	11,568,925,191
Costs of sales	26	(10,880,774,478)	(10,735,753,921)
<b>Gross profit</b>		<b>1,584,209,848</b>	<b>833,171,270</b>
Other income	18	57,187,812	66,886,966
Selling expenses		(152,294,429)	(149,281,520)
Administrative expenses	26	(304,532,666)	(287,018,494)
Finance costs - interest expenses		(48,374,390)	(59,532,725)
<b>Profit before income tax</b>	19	<b>1,136,196,175</b>	<b>404,225,497</b>
Income tax	20	(224,653,628)	(83,592,611)
<b>Profit for the year</b>		<b>911,542,547</b>	<b>320,632,886</b>
<b>Other comprehensive income (expense):</b>			
<b>Item that will not be reclassified to profit or loss</b>			
Loss on remeasurements of defined employee benefit obligations	16	(3,240,986)	-
Income tax on items that will not be reclassified	12	648,197	-
Other comprehensive income (expense) for the year, net of tax		(2,592,789)	-
<b>Total comprehensive income for the year</b>		<b>908,949,758</b>	<b>320,632,886</b>
<b>Earnings per share</b>			
21			
Basic earnings per share		2.09	0.74



**Thai Metal Trade Public Company Limited**  
**Statement of Changes in Equity**  
**For the year ended 31 December 2016**

	Note	Issued and paid-up share capital Baht	Premium on share capital Baht	Retained earnings		Total Baht
				Appropriated - Legal reserve Baht	Unappropriated Baht	
<b>Opening balances as at 1 January 2015</b>		435,379,017	427,323,198	43,600,000	1,263,074,489	2,169,376,704
Dividends paid	22	-	-	-	(282,996,361)	(282,996,361)
Total comprehensive income for the year		-	-	-	320,632,886	320,632,886
<b>Closing balances as at 31 December 2015</b>		<u>435,379,017</u>	<u>427,323,198</u>	<u>43,600,000</u>	<u>1,300,711,014</u>	<u>2,207,013,229</u>
<b>Opening balances as at 1 January 2016</b>		435,379,017	427,323,198	43,600,000	1,300,711,014	2,207,013,229
Dividends paid	22	-	-	-	(282,996,361)	(282,996,361)
Total comprehensive income for the year		-	-	-	908,949,758	908,949,758
<b>Closing balances as at 31 December 2016</b>		<u>435,379,017</u>	<u>427,323,198</u>	<u>43,600,000</u>	<u>1,926,664,411</u>	<u>2,832,966,626</u>

**Thai Metal Trade Public Company Limited**  
**Statement of Cash Flows**  
**For the year ended 31 December 2016**

	<b>Notes</b>	<b>2016 Baht</b>	<b>2015 Baht</b>
<b>Cash flows from operating activities</b>			
Profit before income tax		1,136,196,175	404,225,497
Adjustments for :			
Depreciation and amortisation	10, 11	165,156,993	150,364,470
Doubtful accounts (reversal)		(8,441,007)	13,179,202
Loss on declining in value of inventories	8	7,630,589	14,696,559
Gains on disposals of equipment		(418,639)	(2,838,428)
Employee benefit expenses	16	4,536,053	4,297,381
Interest expenses		48,374,390	59,532,725
Cash flows before changes in operating assets and liabilities		1,353,034,554	643,457,406
Changes in operating assets and liabilities:			
Trade accounts receivable		(194,740,302)	301,163,974
Inventories		(786,993,822)	432,996,662
Advance payments for purchases of inventories		(261,829,762)	63,942,958
Other receivables		22,382,043	(38,586,867)
Other assets		(686,963)	293,937
Trade accounts payable		(19,163,495)	(60,506,198)
Advance receipts from customers for goods		10,605,329	(4,831,119)
Other payables		60,621,175	11,006,543
Employee benefit obligations	16	(124,000)	(76,800)
Cash flows received from operating activities before interest and income tax paid		183,104,757	1,348,860,496
Interest paid		(48,847,185)	(60,097,090)
Income tax paid		(179,157,759)	(79,004,256)
Net cash (used in) generated from operating activities		(44,900,187)	1,209,759,150
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(578,811,168)	(191,815,031)
Purchases of intangible assets		(5,435,312)	(13,736,931)
Proceeds from disposals of equipment		1,595,383	4,263,075
Net cash used in investing activities		(582,651,097)	(201,288,887)

**Thai Metal Trade Public Company Limited**  
**Statement of Cash Flows**  
**For the year ended 31 December 2016**

	<b>Note</b>	<b>2016 Baht</b>	<b>2015 Baht</b>
<b>Cash flows from financing activities</b>			
Short-term loans from financial institutions, net		720,457,129	(614,692,129)
Payments for interest on finance lease liabilities		(351,284)	(710,789)
Payments for finance lease liabilities		(3,649,700)	(3,849,363)
Dividends paid	22	(282,996,361)	(282,996,361)
Net cash receipts from (used in) financing activities		433,459,784	(902,248,642)
<b>Net (decrease) increase in cash and cash equivalents</b>		(194,091,500)	106,221,621
Opening balance		368,420,129	262,198,508
Closing balance		174,328,629	368,420,129
<b>Cash and cash equivalents are made up as follows:</b>			
- Cash on hand		89,966	105,451
- Deposits at financial institutions		174,238,663	368,314,678
		174,328,629	368,420,129

**Non-cash transactions**

Significant non-cash transactions for the years ended 31 December 2016 and 2015 are as follows:

Increase in property, plant and equipment by other payables	15,204,772	2,624,379
Increase in intangible assets by other payables	-	358,320

## **1 General information**

Thai Metal Trade Public Company Limited (the “Company”) is a public limited company incorporated and resident in Thailand. The address of the Company’s registered office is 22<sup>nd</sup> Floor, Bangkok City Tower, 179 South Sathorn Road, Thungmahamek, Sathorn, Bangkok 10120. In addition, the Company has two plants as follows:

- 131 Rama III Road, Bangkorleam, Bangkok 10120; and
- 332-333 Moo 5, Paholyothin Road, Lamsai, Wangnoi, Ayutthaya 13170

The principal business operations of the Company are selling and transforming structural steel, plates and sheets. Purchases are principally made from local suppliers and certain purchases are imported and its products are domestic sales.

These financial statements were authorised for issue by the Board of Directors on 17 February 2017.

## **2 Accounting policies**

The principal accounting policies adopted in the preparation of these financial statements are set out below:

### **2.1 Basis of preparation**

The financial statements have been prepared in accordance with Thai generally accepted accounting principles under the Accounting Act of B.E. 2543, being those Thai Financial Reporting Standards issued under the Accounting Profession Act B.E. 2547, and the financial reporting requirements of the Securities and Exchange Commission under the Securities and Exchange Act.

The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with Thai generally accepted accounting principles requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

An English version of the financial statements has been prepared from the statutory financial statements that are in the Thai language. In the event of a conflict or a difference in interpretation between the two languages, the Thai language statutory financial statements shall prevail.

## 2 Accounting policies (Cont'd)

### 2.2 New financial reporting standards and revised financial reporting standards and interpretations

The following new financial reporting standards, revised financial reporting standards, and related interpretations are effective on 1 January 2016 as follows:

#### a) Financial reporting standards with major changes

TAS 16 (revised 2015)	Property, plant and equipment
TAS 19 (revised 2015)	Employee benefits
TAS 24 (revised 2015)	Related party disclosures
TAS 36 (revised 2015)	Impairment of assets
TAS 38 (revised 2015)	Intangible assets
TAS 40 (revised 2015)	Investment property
TFRS 8 (revised 2015)	Operating segments
TFRS 13 (revised 2015)	Fair value measurement

#### b) Financial reporting standards with minor changes

TAS 1 (revised 2015)	Presentation of financial statements
TAS 2 (revised 2015)	Inventories
TAS 7 (revised 2015)	Statement of cash flows
TAS 8 (revised 2015)	Accounting policies, changes in accounting estimates and errors
TAS 10 (revised 2015)	Events after the reporting period
TAS 12 (revised 2015)	Income taxes
TAS 17 (revised 2015)	Leases
TAS 18 (revised 2015)	Revenue
TAS 21 (revised 2015)	The effects of changes in foreign exchange rates
TAS 23 (revised 2015)	Borrowing costs
TAS 33 (revised 2015)	Earnings per share
TAS 34 (revised 2015)	Interim financial reporting
TAS 37 (revised 2015)	Provisions, contingent liabilities and contingent assets

Commencing 1 January 2016, the Company has applied these financial reporting standards. There are no material impacts to the Company as a result of such adoption.

## 2 Accounting policies (Cont'd)

### 2.2 New financial reporting standards and revised financial reporting standards and interpretations (Cont'd)

The following new financial reporting standards, revised accounting standards and revised financial reporting standards are effective on 1 January 2017. These standards are relevant to the Company and are not early adopted:

#### a) Financial reporting standards with major changes

TAS 1 (revised 2016)	Presentation of financial statements
TAS 16 (revised 2016)	Property, plant and equipment
TAS 19 (revised 2016)	Employee benefits
TAS 34 (revised 2016)	Interim financial reporting
TAS 38 (revised 2016)	Intangible assets

#### b) Financial reporting standards with minor changes

TAS 2 (revised 2016)	Inventories
TAS 7 (revised 2016)	Statement of cash flows
TAS 8 (revised 2016)	Accounting policies, changes in accounting estimates and errors
TAS 10 (revised 2016)	Events after the reporting period
TAS 12 (revised 2016)	Income taxes
TAS 17 (revised 2016)	Leases
TAS 18 (revised 2016)	Revenue
TAS 23 (revised 2016)	Borrowing costs
TAS 24 (revised 2016)	Related party disclosures
TAS 33 (revised 2016)	Earnings per share
TAS 37 (revised 2016)	Provisions, contingent liabilities and contingent assets
TAS 40 (revised 2016)	Investment property
TFRS 13 (revised 2016)	Fair value measurement
TFRIC 10 (revised 2016)	Interim financial reporting and impairment

The Company has not yet early adopted these revised standards. The management has assessed and considered that the above revised standards will not have a material impact on the Company.



## **2 Accounting policies (Cont'd)**

### **2.3 Foreign currency translation**

#### **(a) Functional and presentation currency**

Items included in the financial statements of the entity are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Thai Baht, which is the company's functional and presentation currency.

#### **(b) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognised in profit and loss, any exchange component of that gain or loss is recognised in profit and loss.

### **2.4 Cash and cash equivalents**

Cash and cash equivalents are carried in the statement of financial position at cost. Cash and cash equivalents comprise cash on hand, deposits held at call with financial institutions, short-term highly liquid investments with maturities of three months or less from the date of acquisition.

### **2.5 Trade accounts receivable**

Trade accounts receivable are recognised initially at original invoice amount and subsequently measured at the remaining amount less allowance for doubtful receivables based on a review of all outstanding amounts at the year-end. The amount of the allowance is the difference between the carrying amount of the receivable and the amount expected to be collectible. Bad debts are written-off during the year in which they are identified and recognised in the profit or loss within administrative expenses.

## **2 Accounting policies (Cont'd)**

### **2.6 Inventories**

Inventories are stated at the lower of cost or net realisable value. Cost is determined by the moving average method. The cost of purchase comprises both the purchase price and costs directly attributable to the acquisition of the inventory, such as import duties and transportation charges, less all attributable discounts, allowances or rebates. The cost of finished goods and work in progress are standard costs which comprises raw materials, direct labour, other direct costs and related production overheads, the latter being allocated based on normal operating capacity. It excludes borrowing costs. Net realisable value is the estimate of the selling price in the ordinary course of business, less applicable variable selling expenses. Allowance is made, where necessary, for obsolete, slow-moving and defective inventories.

### **2.7 Investment property**

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

Investment property of the Company is land held for long-term rental yields or for capital appreciation, including certain land which is currently undetermined for future use.

Investment property is measured initially at its cost including related transaction costs. After initial recognition, investment property is carried at cost less accumulated impairment losses (if any).

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

### **2.8 Property, plant and equipment**

All property, plant and equipment are initially recorded at cost. Plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

## 2 Accounting policies (Cont'd)

### 2.8 Property, plant and equipment (Cont'd)

Depreciation is calculated using the straight-line method to its residual value over the estimated useful life as follows except land which is considered to have an indefinite life.

Land improvement	5, 20 years
Building improvement and buildings	3, 10, 20 years
Machinery and equipment	5, 10 years
Furniture and fixtures	3, 5 years
Trucks and motor vehicles	5, 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognised within "other gains or losses, net" in profit or loss.

### 2.9 Intangible asset - Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using the straight-line method over their estimated useful lives in five years.

### 2.10 Impairment of assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

## **2 Accounting policies (Cont'd)**

### **2.11 Leases - where the Company is the lessee**

Leases of property, plant or equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The outstanding lease obligations, net of finance charges, are included in other long-term liabilities. The interest element of the finance cost is charged to profit or loss over the lease period so as to achieve a constant periodic rate of interest on the remaining balance of the liability for each period. The property acquired under finance leases is depreciated over the shorter period of the useful life of the asset or the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

### **2.12 Current and deferred income taxes**

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the country where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising from differences between the tax base of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## 2 Accounting policies (Cont'd)

### 2.13 Employee benefits

The Company has post-employment benefits both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age of employees, years of service and compensation.

- ***Defined benefit plans - retirement benefit***

The Company provides for post employment benefits, payable to employees under the labour laws applicable in Thailand. The liability in respect of employee benefits is the present value of the defined benefit obligation which is calculated by an independent actuary in accordance with the actuarial technique. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using yields on government bonds which have terms to maturity approximating to the terms of the related liability. The estimated future cash outflows shall reflect employee salaries, turnover rate, mortality, length of service and other factors. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in profit or loss. The costs associated with providing these benefits are charged to the profit or loss so as to spread the cost over the employment period during which the entitlement to benefits is earned.

- ***Defined contribution plans - provident fund***

The Company operates a provident fund, being a defined contribution plan. The assets are held in a separate fund which is managed by the external fund manager. The provident fund is funded by payments from employees and by the Company. The Company's contributions to the provident fund are charged to the profit or loss in the years to which they relate.

### 2.14 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Where the Company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

## **2 Accounting policies (Cont'd)**

### **2.15 Revenue recognition**

Revenue from sales of goods comprises the invoice valued for the sales of goods net of rebate and discounts. Revenue from sales of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer.

Revenue from rendering services is based on the stage of completion.

Interest income is recognised on an accrual basis unless collectibility is in doubt.

### **2.16 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as Board of Directors that makes strategic decisions.

## **3 Financial risk management**

### **3.1 Financial risk factors**

The principal financial risks faced by the Company are market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The risk management policies of these particular risks are as follows:

#### **3.1.1 Foreign exchange risk**

The Company purchases goods from overseas and is exposed to foreign exchange risk arising primarily from US Dollar. The Company uses forward contracts to hedge their exposure to foreign currency risk in connection with measurement currency.

#### **3.1.2 Interest rate risk**

The Company has short-term loans from financial institutions which are normally used for working capital. These loans have fixed interest rates depending on money market rate. Interest rates approximate to the market rates as the loans are short-term.

#### **3.1.3 Credit risk**

The Company has policies in place to ensure that goods are sold to customers with an appropriate credit history and as a policy, certain major credit sales should be supported by financial instruments as collateral. In addition, as at 31 December 2016 and 2015, the Company had no significant concentrations of credit risk on any industries. In addition, the Company has no significant risk with financial institutions since cash is placed with reputable financial institutions.

#### **3.1.4 Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to manage market positions. Due to the dynamic nature of the underlying business, the Company aims at maintaining flexibility in funding by keeping committed credit lines available.



### **3 Financial risk management (Cont'd)**

#### **3.2 Accounting for financial instruments**

The Company is party to derivative financial instruments, which mainly comprise foreign currency forward contracts. Such instruments are not recognised in the financial statements on inception.

Foreign currency forward contracts protect the Company from movements in exchange rates by establishing the rate at which a foreign currency asset will be realised or a foreign currency liability settled. Any increase or decrease in the amount required to realise the asset or settle the liability is offset by a corresponding movement in the value of the forward exchange contract. The realised gains and losses on the derivative instruments and the underlying financial asset or liability are therefore offset for financial reporting purposes and are recognised in the financial statements.

Disclosures about derivative financial instruments to which the Company is a party are provided in Note 28.

#### **3.3 Fair value estimation**

As at 31 December 2016, the Company had no assets or liabilities measured at fair value. Disclosures of fair value measurements by level are as below:

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

The fair values of financial assets and liabilities approximate their carrying amounts.

### **4 Critical accounting estimates, assumption and judgement**

Accounting estimates and judgement are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstance.

#### **4.1 Allowance for doubtful accounts**

The Company maintains an allowance for doubtful accounts to reflect impairment of trade receivables relating to estimated losses resulting from the default or inability of customers to make required payments. The allowance is based on consideration of historical collection experience, known and identified instances of default of each customer. The management will fully set up allowance for outstanding amounts overdue more than 6 months and without any collateral.

**4 Critical accounting estimates, assumption and judgement (Cont'd)**

**4.2 Allowance for obsolete, slow-moving and defective inventories**

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

**4.3 Property, plant and equipment**

Management determines the estimated useful lives and residual values for the plant and equipment of which are mainly considered by technical ability and economic useful lives. The management will revise the depreciation charge where useful lives and residual values are significantly different to previously estimated, or it will write off or write down technically obsolete or assets that have been abandoned or sold.

**4.4 Retirement employee benefits**

The Company has commitments on retirement benefits to employees under the Thai Labour Law. The amount of provision presented in the statement of financial position represents the present value of employee benefit obligations which is determined on an actuarial basis using various assumptions. The assumptions used in determining the net period cost for employee benefits includes the discount rate, the rate of salary inflation and employee turnover and others. Any changes in these assumptions will impact the net periodic cost recorded for employee benefits. On an annual basis the Company determines those assumptions i.e. the appropriate discount rate, which should represent 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 considers the market yield of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the liability. Other key assumptions are based in part on current market conditions. Additional information is disclosed in Note 16.

**5 Capital risk management**

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

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

**Thai Metal Trade Public Company Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2016**

**6 Cash and cash equivalents**

	<b>2016 Baht</b>	<b>2015 Baht</b>
Cash on hand	89,966	105,451
Current accounts	53,498,445	114,282,328
Saving accounts	120,740,218	254,032,350
Total	<u>174,328,629</u>	<u>368,420,129</u>

As at 31 December 2016, the interest rates of saving accounts were 0.20% to 0.38% per annum (2015: 0.50% to 1.25% per annum).

**7 Trade accounts receivable, net**

	<b>2016 Baht</b>	<b>2015 Baht</b>
Trade accounts receivable	1,934,183,674	1,739,443,372
<u>Less</u> Allowance for doubtful accounts	<u>(6,732,465)</u>	<u>(15,173,472)</u>
Trade accounts receivable, net	<u>1,927,451,209</u>	<u>1,724,269,900</u>

Outstanding trade accounts receivable can be aged as follows:

	<b>2016 Baht</b>	<b>2015 Baht</b>
Current balance	1,624,818,030	1,421,073,903
Overdue: less than 1 month	255,709,757	258,835,722
Over 1 month to 3 months	34,935,132	35,098,746
Over 3 months to 6 months	10,817,334	7,817,657
Over 6 months to 12 months	4,272,265	12,863,754
Over 12 months	3,631,156	3,753,590
	<u>1,934,183,674</u>	<u>1,739,443,372</u>
<u>Less</u> Allowance for doubtful accounts	<u>(6,732,465)</u>	<u>(15,173,472)</u>
Trade accounts receivable, net	<u>1,927,451,209</u>	<u>1,724,269,900</u>

The Company has not provided allowance for doubtful accounts to certain accounts receivable which are over 6 months because these customers provide bank guarantees.

**Thai Metal Trade Public Company Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2016**

**8 Inventories, net**

	<b>2016 Baht</b>	<b>2015 Baht</b>
Raw materials	140,726,845	163,336,781
Finished goods	1,480,455,134	685,547,935
Total inventories	1,621,181,979	848,884,716
<u>Less</u> Allowance for net realisable value		
- for raw materials	(1,854,601)	(5,569,546)
- for finished goods	(5,775,988)	(9,127,013)
Inventories, net	<u>1,613,551,390</u>	<u>834,188,157</u>

The Company has provided allowance for net realisable value amounting to Baht 7.63 million to inventories of which was included in costs of sales for the year ended 31 December 2016 (2015: Baht 14.70 million).

**9 Investment property**

	<b>Land</b>	
<b>At 31 December</b>	<b>2016 Baht</b>	<b>2015 Baht</b>
<u>Cost</u>		
Opening net book value	55,729,000	55,729,000
Closing net book value	<u>55,729,000</u>	<u>55,729,000</u>
Fair value	116,705,000	112,560,000

The Company engaged an independent appraiser to assess the fair value of investment property by using the Comparison Approach which is based on sales prices of comparable land in close proximity and adjusted for differences in key attributes such as size and shape, location and condition of land. Such information is sufficient for comparison to determine the fair value of the property. As the valuation technique used significant unobservable inputs, the Company classified the fair value measurement as level 3 of fair value hierarchy (Note 3.3).

Thai Metal Trade Public Company Limited  
Notes to the Financial Statements  
For the year ended 31 December 2016

**10 Property, plant and equipment, net**

	Land and land improvement Baht	Buildings and building improvement Baht	Machinery and equipment Baht	Furniture and fixtures Baht	Trucks and motor vehicles Baht	Construction in progress Baht	Machinery under installation Baht	Total Baht
<b>At 1 January 2015</b>								
Cost	275,085,543	1,037,088,737	786,635,733	99,352,749	118,525,513	49,631,309	56,270,212	2,422,589,796
<u>Less</u> Accumulated depreciation	(37,153,723)	(275,263,543)	(474,199,424)	(73,158,575)	(49,593,640)	-	-	(909,368,905)
Net book value	<u>237,931,820</u>	<u>761,825,194</u>	<u>312,436,309</u>	<u>26,194,174</u>	<u>68,931,873</u>	<u>49,631,309</u>	<u>56,270,212</u>	<u>1,513,220,891</u>
<b>For the year ended 31 December 2015</b>								
Opening net book value	237,931,820	761,825,194	312,436,309	26,194,174	68,931,873	49,631,309	56,270,212	1,513,220,891
Additions	-	2,410,365	5,484,435	1,418,767	10,519,327	32,107,826	141,552,466	193,493,186
Transfers	-	75,670,558	182,101,865	1,800,000	-	(77,470,560)	(182,101,863)	-
Disposals, net	-	-	(153,951)	(21,401)	(1,249,295)	-	-	(1,424,647)
Depreciation (Note 19)	(3,754,378)	(55,652,726)	(70,466,157)	(10,319,899)	(8,072,923)	-	-	(148,266,083)
Closing net book value	<u>234,177,442</u>	<u>784,253,391</u>	<u>429,402,501</u>	<u>19,071,641</u>	<u>70,128,982</u>	<u>4,268,575</u>	<u>15,720,815</u>	<u>1,557,023,347</u>
<b>At 31 December 2015</b>								
Cost	275,085,543	1,115,169,662	973,635,902	101,745,744	121,927,933	4,268,575	15,720,815	2,607,554,174
<u>Less</u> Accumulated depreciation	(40,908,101)	(330,916,271)	(544,233,401)	(82,674,103)	(51,798,951)	-	-	(1,050,530,827)
Net book value	<u>234,177,442</u>	<u>784,253,391</u>	<u>429,402,501</u>	<u>19,071,641</u>	<u>70,128,982</u>	<u>4,268,575</u>	<u>15,720,815</u>	<u>1,557,023,347</u>

**Thai Metal Trade Public Company Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2016**

**10 Property, plant and equipment, net (Cont'd)**

	Land and land improvement Baht	Buildings and building improvement Baht	Machinery and equipment Baht	Furniture and fixtures Baht	Trucks and motor vehicles Baht	Construction in progress Baht	Machinery under installation Baht	Total Baht
<b>For the year ended 31 December 2016</b>								
Opening net book value	234,177,442	784,253,391	429,402,501	19,071,641	70,128,982	4,268,575	15,720,815	1,557,023,347
Additions	461,500,000	150,000	7,311,985	2,581,336	10,881,972	11,511,559	97,454,709	591,391,561
Transfers	-	6,056,482	26,400,658	-	448,598	(6,056,482)	(26,849,256)	-
Disposals, net	-	-	(2,971)	(3,288)	(1,170,485)	-	-	(1,176,744)
Depreciation (Note 19)	(3,754,377)	(57,873,409)	(83,516,115)	(7,426,942)	(8,029,740)	-	-	(160,600,583)
Closing net book value	691,923,065	732,586,464	379,596,058	14,222,747	72,259,327	9,723,652	86,326,268	1,986,637,581
<b>At 31 December 2016</b>								
Cost	736,585,543	1,121,376,144	1,006,687,913	104,138,580	128,223,846	9,723,652	86,326,268	3,193,061,946
<u>Less</u> Accumulated depreciation	(44,662,478)	(388,789,680)	(627,091,855)	(89,915,833)	(55,964,519)	-	-	(1,206,424,365)
Net book value	691,923,065	732,586,464	379,596,058	14,222,747	72,259,327	9,723,652	86,326,268	1,986,637,581

Depreciation expenses of Baht 130,796,377 (2015: Baht 115,539,291) and Baht 29,804,206 (2015: Baht 32,726,792) were charged in costs of sales and administrative expenses, respectively.



**Thai Metal Trade Public Company Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2016**

**10 Property, plant and equipment, net (Cont'd)**

Vehicles included the following amounts which the Company is a lessee under the finance lease:

	<b>2016 Baht</b>	<b>2015 Baht</b>
Cost - capitalised finance lease	9,369,561	19,188,561
<u>Less</u> Accumulated depreciation	<u>(4,917,904)</u>	<u>(7,609,230)</u>
Net book value	<u>4,451,657</u>	<u>11,579,331</u>

**11 Intangible assets, net**

	<b>Computer software Baht</b>	<b>Computer software during installation Baht</b>	<b>Total Baht</b>
<b>At 1 January 2015</b>			
Cost	39,028,098	1,460,000	40,488,098
<u>Less</u> Accumulated amortisation	<u>(30,573,875)</u>	<u>-</u>	<u>(30,573,875)</u>
Net book value	<u>8,454,223</u>	<u>1,460,000</u>	<u>9,914,223</u>
<b>For the year ended 31 December 2015</b>			
Opening net book value	8,454,223	1,460,000	9,914,223
Additions	1,789,248	9,756,003	11,545,251
Amortisation charge (Note 19)	<u>(2,098,387)</u>	<u>-</u>	<u>(2,098,387)</u>
Closing net book value	<u>8,145,084</u>	<u>11,216,003</u>	<u>19,361,087</u>
<b>At 31 December 2015</b>			
Cost	40,860,996	11,216,003	52,076,999
<u>Less</u> Accumulated amortisation	<u>(32,715,912)</u>	<u>-</u>	<u>(32,715,912)</u>
Net book value	<u>8,145,084</u>	<u>11,216,003</u>	<u>19,361,087</u>
<b>For the year ended 31 December 2016</b>			
Opening net book value	8,145,084	11,216,003	19,361,087
Additions	694,400	4,382,592	5,076,992
Transfer	13,154,995	(13,154,995)	-
Amortisation charge (Note 19)	<u>(4,556,410)</u>	<u>-</u>	<u>(4,556,410)</u>
Closing net book value	<u>17,438,069</u>	<u>2,443,600</u>	<u>19,881,669</u>
<b>At 31 December 2016</b>			
Cost	54,710,391	2,443,600	57,153,991
<u>Less</u> Accumulated amortisation	<u>(37,272,322)</u>	<u>-</u>	<u>(37,272,322)</u>
Net book value	<u>17,438,069</u>	<u>2,443,600</u>	<u>19,881,669</u>

## 12 Deferred income taxes

The analysis of deferred income tax assets and deferred tax liabilities is as follows:

	2016 Baht	2015 Baht
<b>Deferred tax assets:</b>		
Deferred tax assets to be recovered within 12 months	1,526,118	2,939,312
Deferred tax assets to be recovered after more than 12 months	6,119,987	4,589,379
Total deferred tax assets	7,646,105	7,528,691
<b>Deferred tax liabilities:</b>		
Deferred tax liabilities to be settled after more than 12 months	(1,340,147)	(1,667,468)
Total deferred tax liabilities	(1,340,147)	(1,667,468)
Deferred income taxes, net	6,305,958	5,861,223

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 20% (2015: 20%).

The gross movement in the deferred income tax account is as follows:

	2016 Baht	2015 Baht
As 1 January	5,861,223	2,996,014
(Charged)/Credited to profit and loss (Note 20)	(203,462)	2,865,209
Charged directly to equity	648,197	-
At 31 December	6,305,958	5,861,223

The movement in deferred tax assets and liabilities during the year is as follows:

	Allowance for net realisable value Baht	Employee benefits obligations Baht	Total Baht
<b>Deferred tax assets:</b>			
At 1 January 2015	947,863	3,745,263	4,693,126
(Charged)/Credited to profit and loss	1,991,449	844,116	2,835,565
At 31 December 2015	2,939,312	4,589,379	7,528,691
(Charged)/Credited to profit and loss	(1,413,194)	882,411	(530,783)
Charged directly to equity	-	648,197	648,197
At 31 December 2016	1,526,118	6,119,987	7,646,105

**Thai Metal Trade Public Company Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2016**

**12 Deferred income taxes (Cont'd)**

The movement in deferred tax assets and liabilities during the year is as follows: (Cont'd)

	<b>Temporary difference for depreciation Baht</b>
<b>Deferred tax liabilities:</b>	
At 1 January 2015	(1,697,112)
(Charged)/Credited to profit and loss	29,644
At 31 December 2015	(1,667,468)
(Charged)/Credited to profit and loss	327,321
At 31 December 2016	(1,340,147)

**13 Short-term loans from financial institutions**

	<b>2016 Baht</b>	<b>2015 Baht</b>
Short-terms loans from financial institutions	2,844,253,138	2,066,891,529
Trust receipts	-	56,904,480
<b>Total</b>	<b>2,844,253,138</b>	<b>2,123,796,009</b>

The short-term loans from financial institutions denominated in Thai Baht bear interest rates during the year as follows:

	<b>2016</b>	<b>2015</b>
Short-term loans from financial institutions	1.80% - 2.10%	1.89% - 2.65%
Trust receipts	1.80% - 2.00%	1.90% - 2.60%

As at 31 December 2016, the short-term loans from financial institutions were unsecured loans and due within January to March 2017 (2015: January to March 2016). The Company has provided the Negative Pledge to the financial institutions.

**Thai Metal Trade Public Company Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2016**

**14 Finance lease liabilities, net**

	<b>2016 Baht</b>	<b>2015 Baht</b>
Liabilities due :		
Not later than 1 year	1,445,147	1,943,284
Later than 1 year but not later than 5 years	2,391,080	5,893,927
	3,836,227	7,837,211
<u>Less</u> Future finance charges on finance leases	(290,302)	(641,586)
Present value of finance lease liabilities	<u>3,545,925</u>	<u>7,195,625</u>

The present value of financial lease liabilities is as follows:

	<b>2016 Baht</b>	<b>2015 Baht</b>
Not later than 1 year	1,254,387	1,592,000
Later than 1 year but not later than 5 years	2,291,538	5,603,625
Present value of financial lease liabilities	<u>3,545,925</u>	<u>7,195,625</u>

**15 Other payables**

	<b>2016 Baht</b>	<b>2015 Baht</b>
Accrued expenses and other payables	166,688,433	94,151,964
Retention	437,500	285,000
Withholding tax payable	1,431,098	1,276,819
Accrued interest expenses	2,088,388	2,912,467
Total	<u>170,645,419</u>	<u>98,626,250</u>

**16 Employee benefit obligations**

	<b>2016 Baht</b>	<b>2015 Baht</b>
Statement of financial position		
- Retirement benefits	30,599,934	22,946,895
Statement of Comprehensive Income		
- Retirement benefits	4,536,053	4,297,381

**16 Employee benefit obligations (Cont'd)**

The movement in the obligations for retirement benefit are as follows:

	<b>2016 Baht</b>	<b>2015 Baht</b>
Opening balance	22,946,895	18,726,314
Current service cost	3,643,889	3,568,629
Interest cost	892,164	728,752
Benefits paid	(124,000)	(76,800)
	27,358,948	22,946,895
Remeasurement		
Loss from change in demographic assumptions	3,240,986	-
Closing balance	30,599,934	22,946,895

The amounts recognised in the statement of comprehensive income are as follows:

	<b>2016 Baht</b>	<b>2015 Baht</b>
Current service cost	3,643,889	3,568,629
Interest cost	892,164	728,752
Total included in staff costs	4,536,053	4,297,381

Of the total charges, Baht 821,437 (2015: Baht 849,565) and Baht 3,714,616 (2015: Baht 3,447,816) were included in costs of sales and administrative expenses, respectively.

The amounts recognised in other comprehensive income are as follows:

	<b>2016 Baht</b>	<b>2015 Baht</b>
Loss on remeasurement in the year	3,240,986	-
Cumulative loss on remeasurement	7,503,497	4,262,511

The principal actuarial assumptions used were as follows:

	<b>2016</b>	<b>2015</b>
Discount rate	1.96% per annum	3.9% per annum
Future salary increase rate	5% per annum	3% per annum
Employee turnover rate	0% - 41% per annum	0% - 44% per annum

Sensitivity analysis for each significant assumption disclose:

<b>Impact on defined benefit obligations as at 31 December 2016</b>			
	<b>Change in assumption %</b>	<b>Increase in obligations Baht</b>	<b>Decrease in obligations Baht</b>
Discount rate	+1%	-	(1,892,298)
	-1%	2,108,037	-
Future salary increase rate	+1%	1,933,713	-
	-1%	-	(1,774,156)
Employee turnover rate	+1%	-	(2,061,183)
	-1%	1,042,396	-

## 16 Employee benefit obligations (Cont'd)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the liability recognised in the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Expected maturity analysis of undiscounted retirement benefits:

	Less than a year Baht	Between 1-2 years Baht	Between 2-5 years Baht	Over 5 years Baht	Total Baht
At 31 December 2016					
Retirement benefits	-	1,932,025	18,456,419	28,879,687	49,268,131

The weighted average duration of the defined benefit obligation is 23.95 years.

## 17 Share capital and premium on share capital

	Number of authorised shares	Issued and paid-up ordinary shares Baht	Premium on share capital Baht	Total Baht
At 1 January 2015	436,000,000	435,379,017	427,323,198	862,702,215
Issue of ordinary shares	-	-	-	-
At 31 December 2015	436,000,000	435,379,017	427,323,198	862,702,215
Issue of ordinary shares	-	-	-	-
At 31 December 2016	436,000,000	435,379,017	427,323,198	862,702,215

As at 31 December 2016, the total number of authorised ordinary shares were 436,000,000 shares with a par value of Baht 1 per share (2015: 436,000,000 shares with a par value of Baht 1 per share). The shares of 435,379,017 shares (2015: 435,379,017 shares) were issued and fully paid-up.

## 18 Other income

	2016 Baht	2015 Baht
Service income	52,158,643	53,500,122
Interest income	3,076,854	5,943,654
Gains of disposals of equipment	418,639	2,838,428
Others	1,533,676	4,604,762
Total	57,187,812	66,886,966



**Thai Metal Trade Public Company Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2016**

**19 Expenses by nature**

The following expenditures, classified by nature, have been charged in arriving at profit before finance costs and income tax:

	<b>2016 Baht</b>	<b>2015 Baht</b>
Staff costs	357,151,895	288,103,318
Depreciation on property, plant and equipment (Note 10)	160,600,583	148,266,083
Amortisation of intangible assets (Note 11)	4,556,410	2,098,387
Selling and marketing expenses	152,294,429	149,281,520
Professional and consultant fees	2,794,113	4,048,280
Rental expenses	16,338,240	16,244,160

**20 Income tax expense**

	<b>2016 Baht</b>	<b>2015 Baht</b>
Current tax	224,450,166	86,457,820
Deferred tax (Note 12)	203,462	(2,865,209)
Total income tax expense	<u>224,653,628</u>	<u>83,592,611</u>

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the home country of the company as follows:

	<b>2016 Baht</b>	<b>2015 Baht</b>
Profit before income tax	1,136,196,175	404,225,497
Tax calculated at a tax rate of 20% (2015: 20%)	227,239,235	80,845,099
Tax effect of:		
Expenses not deductible for tax purpose	321,259	2,933,328
Expenses deductible at a greater amount	(2,906,866)	(185,816)
Tax charge	<u>224,653,628</u>	<u>83,592,611</u>

**21 Basic earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	<b>2016</b>	<b>2015</b>
Profit attributable to shareholders (Baht)	911,542,547	320,632,886
Weighted average number of ordinary shares in issue during the year (Shares)	435,379,017	435,379,017
Basic earnings per share (Baht)	<u>2.09</u>	<u>0.74</u>

There are no potential dilutive ordinary shares in issue during the years ended 31 December 2016 and 2015.

## **22 Dividends**

At the Annual General Shareholders' Meeting held on 1 April 2016, the shareholders approved for the payment of dividends in respect of year 2015 of Baht 0.65 per share for 435,379,017 shares, totalling Baht 283.00 million. The dividends were paid to the shareholders on 12 April 2016.

At the Annual General Shareholders' Meeting held on 2 April 2015, the shareholders approved for the payment of dividends in respect of year 2014 of Baht 0.65 per share for 435,379,017 shares, totalling Baht 283.00 million. The dividends were paid to the shareholders on 10 April 2015.

## **23 Legal reserve**

	<b>2016 Baht</b>	<b>2015 Baht</b>
Beginning balance	43,600,000	43,600,000
Ending balance	43,600,000	43,600,000

Under the Public Company Act, B.E. 2535, the Company is required to set aside as a legal reserve at least 5% of its net profit after accumulated deficit brought forward (if any) until the reserve is not less than 10% of the authorised share capital. The legal reserve is non distributable.

## **24 Contingent liabilities**

### **Letters of guarantee**

As at 31 December 2016, the Company had outstanding letters of guarantee of Baht 65.27 million (2015: Baht 64.33 million) issued by a bank for electricity usage and purchases of goods. No liabilities are anticipate to be arisen.

### **Letters of credits**

As at 31 December 2016, the Company had outstanding letters of credits amounting to Baht 16.84 million and US Dollar 1.33 million in relation to purchases of goods (2015: Yen 7.60 million and US Dollar 3.24 million).

## **25 Commitments**

### **Operating leases**

The future minimum lease payments under operating leases as at 31 December were as follows:

	<b>2016 Baht</b>	<b>2015 Baht</b>
Due within 1 year	17,859,310	8,098,300
Due over 1 year but less than 5 years	22,282,100	3,891,410
Total	<u>40,141,410</u>	<u>11,989,710</u>

### **Sales commitments**

As at 31 December 2016, the Company had no outstanding commitments relating to the sales of goods with a fixed selling price (2015: Baht 2.87 million).

### **Purchase commitments**

As at 31 December 2016, the Company had outstanding commitments relating to the purchases of goods with a fixed buying price totalling US Dollar 1.33 million (2015: US Dollar 6.45 million).

### **Capital commitments**

As at 31 December 2016, the Company had capital expenditure contracted but not yet recognised of Baht 103.91million and Euro 0.06 million (2015: Baht 1.93 million).

## **26 Related party transactions**

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Company including holding companies, subsidiaries and fellow subsidiaries are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Major shareholders of the Company are members of Tarasarnsombat family.

The transactions with a related company, Metal Commerz Pte. Ltd., arose from purchasing of raw materials. Certain shareholders of the Company have significant holding in the shares of Metal Commerz Pte. Ltd.

## **26 Related party transactions (Cont'd)**

A summary of significant transactions with related parties are as follows:

### **(a) Purchases and operating expenses**

	<b>2016 Baht</b>	<b>2015 Baht</b>
Purchases of raw materials	713,332,803	230,498,290
Computer system service expenses	997,510	52,500
Land and building rental expenses	5,400,000	5,400,000

Purchases of raw materials from its related party are in the normal course of business and at prices approximating purchase from other third parties.

The Company has operating lease agreements of land and building at Rama III Road with the director. The lease agreements are for a period of 3 years from 2016 until 2019, at the price according to the rental agreement at Baht 5.40 million per year. In addition, one of the Company's directors allows the Company to use his land of approximately 2 rai which is the part of the land at Rama III Road, free of charge for the 3-year period until December 2016.

As at 31 December 2016 and 2015, the Company had no outstanding account payables to related parties.

### **(b) Directors and managements' remuneration**

Directors and managements' remuneration comprises salaries, other benefits, other remuneration and meeting fees.

<b>For the years ended 31 December</b>	<b>2016 Baht</b>	<b>2015 Baht</b>
Short-term benefits	36,942,000	36,020,000
Post-employee benefits	1,791,508	1,834,624
	<b>38,733,508</b>	<b>37,854,624</b>

## **27 Segment information**

The Company does not present segment information. The Company's business operations are trading and including transform the structural steel, plates and sheets which are in the same product group and its products are mainly sold in domestic.

## **28 Forward foreign exchange contracts**

Forward foreign exchange contracts are entered into to manage exposure to fluctuations in foreign currency exchange rates on the purchase payments.

As at 31 December 2016, the Company had no open forward foreign exchange contracts (31 December 2015: Opened forward foreign exchange contracts which have settlement dates in June 2016).

**29 Event after the statement of financial position date**

At the Board of Directors' Meeting on 17 February 2017, it passed a resolution to propose the dividends payment in respect of results of operations for the year 2016 of Baht 1.50 per share for 435,379,017 shares, totalling Baht 653 million. However, it will be further proposed for the shareholders' approval in the Annual General Meeting of the Shareholders for fiscal year 2017.

The Board of Directors' Meeting No. 1/2017, held on 17 February 2017, approved the issuance and offering of all types of debentures, subordinated or unsubordinated, amortised or maturity redemption, secured or unsecured, depending on the appropriate financial market conditions at such time of its issuance and offering, totally not exceeding 1,500 million baht. The issuance and offering may be done once or several times to the public, institutions or private placement investors. The purpose is to use for business operations. This resolution will be proposed for shareholders' approval at the 2017 Annual General Shareholders' Meeting.

## Audit Fee

The Company paid the fee to audit firm for year 2014-1016 as the following:

Year	Audit fee (Baht)	Non-Audit fee (Baht)
2016	1,550,000	18,160
2015	1,500,000	22,840
2014	1,500,000	18,650

The auditors from PricewaterhouseCoopers ABAS Company Limited are namely as below;

Name	C.P.A. No.	Audit Year	Total
Mr. Prasit Yuengsrikul	4174	2012 - 2016	5 years
Mr. Vichien Khingmontri	3977	2007 - 2011	5 years
Miss Nangnoi Charoenthaveesub	3044	2003 - 2006	4 years

In this regard, the audit firm and those auditors have no relationship with or conflict of interest in Thai Metal Trade Public Company Limited, directors, executive directors, and the Company's major shareholders.

Investors can find more information from the Company's Annual Registration Statement (Form 56-1)  
at [www.sec.or.th](http://www.sec.or.th) or company's website at [www.thaimetaltrade.com](http://www.thaimetaltrade.com)



บริษัท ค้าเหล็กไทย จำกัด (มหาชน)  
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