

# Annual Report



2019



ทุกวันต้องก้าวหน้ากว่าเมื่อวาน

**Better than yesterday, everyday**



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## Message from the Chairman of the Board Director

This year we recorded a profit of 600+ million baht a near 50% increase from last year . No exceptions for any export oriented company , we were hurt by the extremely high baht value this year , otherwise we should have done even better but I think we can say we have done a rather good job. It has been 3+ years since we had been abruptly abandoned by our previous CEO and directors. Today , we have stand up by our own foot again. We have to thank our staffs for believing us during difficult time , and newly jointed independent directors.

We have completed new airport terminal project and amazingly have received our payment. Some experience you don't want to enjoy too often and this is definitely one of it , nevertheless, next time you pass through the new terminal 2 , remember you have made some investment there.

As reported throughout the year as required by our shareholders, now we have plenty of work through first part of 2022 , including the two most prestigious projects in Japan which will be completed by 2023, next time when you travel to Tokyo , you can say the company you have invested has contributed to the tallest commercial building in Japan .

We are also exploring new projects for remaining part of 2022 and through 2024, we should have major part of result by end of this year. I believe once we completed those complicated/ monster projects mentioned by 2021/ 2022 , no one can say something like " may be this huge project is still too early for MCS to handle " any more .

MCS japan has been established as our service center for our work from Thai and Xiamen, and now we have not only set up an additional drawing center there to provide crucial drawing supply assistance to entirely group , but also we have upgraded this facility to become a fabrication joint force with other two facilities and should become additional profit center for us in one or two years time. Our Xiamen facility has been successful in expanding into different kind of projects , and currently has enough work into 2021 as well . We can expect a better years ahead , last time this company has profit over 1 billion was 2015 , I like to see it again by fiscal 2021 , it will be my compensation for not able to retire as planned

Our most talk about subject of succession has been proceeded as planned , our independent directors should be able to make necessary selection / decision as scheduled .

It has been hard when someone important suddenly decide to abandon you , but it has become a wake up call for this company , today , we know more about how to improve our shortcoming , and how not to be hurt again , I believe we are much stronger today than 2016.

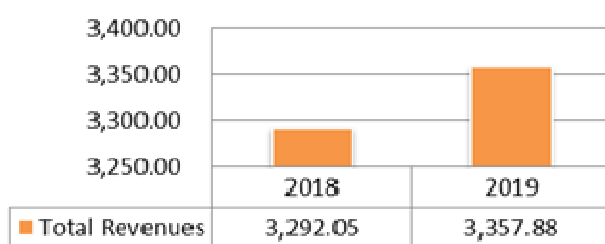
Again , all of what we are today came from strong team of our staffs , needed advise from our new directors , and trust from our shareholders. Kindly accept my appreciation for such effort



Dr. Naiyuan -Chi  
Chairman of Board Director  
And Chief Executive Officer  
January 7, 2020

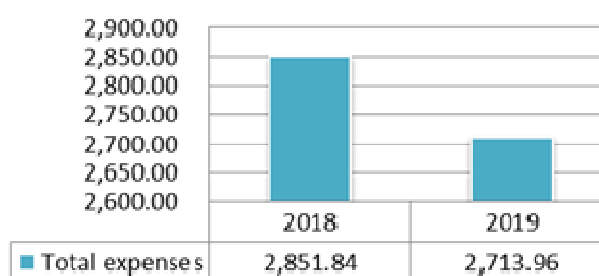
## Financial Highlights of 2019

### Total Revenues



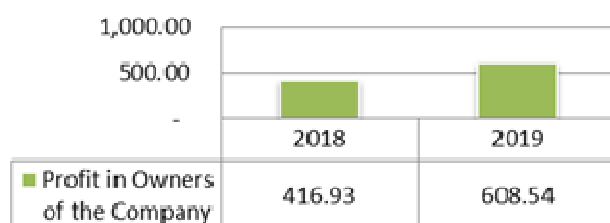
Increased 2.00%

### Total expenses



Decreased 4.83%

### Profit in Owners of the Company



Increased 45.96%



## Board of Directors And Top Managements

**At December 31,2019**

**Dr.Naiyuan Chi**

Age 67

- The founder
- Chairman of Board Director  
Appointed Date : Since 2005
- Chief Executive Officer  
Recently appointed Date : January 1,2019
- The company ' s binding authority



1. Directorship	<ul style="list-style-type: none"> <li>▪ Induction since 2005</li> <li>▪ 4 consecutive directorship periods</li> </ul>
2. Stock Holding (Own) at December 30,2019	<ul style="list-style-type: none"> <li>▪ 5,000,000 Shares or 1.00 %</li> </ul>
3. Stock Holding (spouse ) at December 30,2019	<ul style="list-style-type: none"> <li>▪ None</li> </ul>
4. Share changed in 2019	<ul style="list-style-type: none"> <li>▪ None</li> </ul>
5. Education / Training	<ul style="list-style-type: none"> <li>▪ Ph.D. of Engineering Kyoto University</li> <li>▪ Director Accreditation Program (DAP) Class 25th Year 2004</li> </ul>
6. Work Experience in the last 5 Years	<p><b>MCS Group</b></p> <ul style="list-style-type: none"> <li>▪ 2005 to 2017 Chief Executive Officer M.C.S. Steel Public Co., Ltd.</li> <li>▪ 2010 to Present Director Tanaka Welding Center Co., Ltd.</li> <li>▪ 2018 to Present Director M.C.S. – JAPAN Co., Ltd. , Japan</li> </ul>

**Mr.Phairat Viwatborvornwong**

Age 52

- Director  
Appointed Date : April 3,2018
- Chief Planning and Construction Officer  
Appointed Date : January 1,2019
- The company ' s binding authority with Mr.Pornchai Phisarnanukunkit  
or Ms.Wanna Pholkaew



1. Directorship	<ul style="list-style-type: none"> <li>▪ Induction since 2007</li> <li>▪ 3 consecutive directorship periods</li> </ul>
2. Stock Holding (Own) at December 30,2019	<ul style="list-style-type: none"> <li>▪ 10,000 shares or 0.002%</li> </ul>
3. Stock Holding (Spouse) at December 30,2019	<ul style="list-style-type: none"> <li>▪ None</li> </ul>
4. Share changed in 2019	<ul style="list-style-type: none"> <li>▪ None</li> </ul>
5. Education / Training	<ul style="list-style-type: none"> <li>▪ Bachelor of Civil Engineering Rajamangala Institute of Technology Tewes</li> <li>▪ Certificate of Director Accreditation Program (DAP) Class 70th Year 2008</li> </ul>
6. Work Experience in the last 5 Years	<p><b>MCS Group</b></p> <ul style="list-style-type: none"> <li>▪ 2014 to 2018 President M.C.S. Steel Public Co., Ltd.</li> <li>▪ 2010 to Present Director Tanaka Welding Center Co., Ltd.</li> </ul>

**Mr.Pornchai Phisarnanukunkit**

Age 50

- Director  
Appointed Date : April 3,2018
- Chief Operating Officer  
Appointed date : January 1,2019
- The company's binding authority with Mr.Phairat Viwatborvornwong or Ms.Wanna Pholkaew



1. Directorship	<ul style="list-style-type: none"> <li>▪ Induction since 2005</li> <li>▪ 3 consecutive directorship periods</li> </ul>
2. Stock Holding (Own) at December 30,2019	<ul style="list-style-type: none"> <li>▪ 79,900 Shares or 0.0160%</li> </ul>
3. Stock Holding (Spouse) at December 30,2019	<ul style="list-style-type: none"> <li>▪ None</li> </ul>
4. Share changed in 2019	<ul style="list-style-type: none"> <li>▪ Increased 79,900 shares</li> </ul>
5. Education / Training	<ul style="list-style-type: none"> <li>▪ Bachelor of Industrial Technology in Structures King Mongkuts Institute of Technology North Bangkok</li> <li>▪ Master of Business Administration ( Industrial Business Administration ) King Mongkuts Institute of Technology North Bangkok</li> <li>▪ Certificate of Director Accreditation Program (DAP) Class 42nd Year 2005</li> </ul>
6. Work Experience in the last 5 Years	<p><b>MCS Group</b></p> <ul style="list-style-type: none"> <li>▪ 2005 to 2018 Senior Vice President M.C.S. Steel Public Co., Ltd.</li> <li>▪ 2010 to Present Director Tanaka Welding Center Co., Ltd.</li> </ul>

**Ms.Wanna Pholkaew**

Age 43



- Director
- Chief Marketing and Quality Assurance Officer  
Appointed Date : November 12, 2018
- The company's binding authority with Mr.Phairat Viwatborvornwong or Mr.Pornchai Phisananukunkit

1. Directorship	▪ Induction since November 2018
2. Stock Holding (Own) at December 30,2019	▪ 10,500 Shares or 0.0021%
3. Stock Holding (Spouse) at December 30,2019	▪ None
4. Share changed in 2019	▪ None
5. Education / Training	<ul style="list-style-type: none"> <li>▪ Bachelor of Business Administration ( Computer ) Rangsit University</li> <li>▪ ( Japanese course ) Futaba Collage of Foreign Languages : JAPAN</li> <li>▪ Certificate of Director Accreditation Program (DAP) Class 156th Year 2019</li> </ul>
6. Work Experience in the last 5 Years	<b>MCS Group</b> <ul style="list-style-type: none"> <li>▪ 2017 to 2018 Asst. to Vice President Foreigner Co-ordination Dept. M.C.S. Steel Public Co., Ltd.</li> <li>▪ 2018 to Present Director M.C.S. – JAPAN Co., Ltd. , Japan</li> </ul>



**Gen.Titiwat Kamlang-Ek**

Age 62

- Chairman of Audit Committee  
Appointed Date : April 8,2019
- Independent Director  
Appointed Date : Since 2016



1. Directorship	<ul style="list-style-type: none"><li>▪ Induction since 2016</li><li>▪ 1 consecutive directorship period</li></ul>
2. Stock Holding (Own) at December 30,2019	<ul style="list-style-type: none"><li>▪ None</li></ul>
3. Stock Holding (Spouse) at December 30,2019	<ul style="list-style-type: none"><li>▪ None</li></ul>
4. Share changed in 2019	<ul style="list-style-type: none"><li>▪ None</li></ul>
5. Education / Training	<ul style="list-style-type: none"><li>▪ Bachelor of Science Program Chulachomklao Royal Military Academy</li><li>▪ Certificate of Director Accreditation Program (DAP) Class 134th Year 2017</li></ul>

**Mr.Tinakorn Seedasomboon**

Age 59

- Member of Audit Committee  
Appointed Date : April 8,2019
- Member of the Nomination and Remuneration Committee  
Appointed Date : February 26,2018



1. Directorship	<ul style="list-style-type: none"> <li>▪ Induction since 2010</li> <li>▪ 4 consecutive directorship period</li> </ul>
2. Stock Holding (Own) at December 30,2019	<ul style="list-style-type: none"> <li>▪ None</li> </ul>
3. Stock Holding (Spouse) at December 30,2019	<ul style="list-style-type: none"> <li>▪ None</li> </ul>
4. Share changed in 2019	<ul style="list-style-type: none"> <li>▪ None</li> </ul>
5. Education / Training	<ul style="list-style-type: none"> <li>▪ Bachelor of Accounting , Bangkok University</li> <li>▪ Master of Business Administration The University of the Thai Chamber of Commerce (UTCC)</li> <li>▪ Certificate of Director Accreditation Program (DAP) Class 61st Year 2006</li> <li>▪ Certificate of Director Certification Program (DCP) Class 92nd Year 2007</li> <li>▪ Certificate of Audit Committee Program (ACP) Class 19th Year 2007</li> <li>▪ Certificate of Role of the Chairman Program (RCP) Class 30th Year 2013</li> <li>▪ Certificate of Advanced Audit Committee Program (AACP) Class 27th Year 2017</li> <li>▪ Certificate of Board Nomination and Compensation Program (BNCP) Class 6th Year 2019</li> </ul>
6. Work Experience in the last 5 Years	<p><b>Other Listed Companies</b></p> <ul style="list-style-type: none"> <li>▪ 2007 to Present Independent Director and Audit Committee Qualitech Public Co., Ltd.</li> <li>▪ 2017 to Present Independent Director and Chairman of Audit Committee Mackale Group Public Co., Ltd.</li> </ul> <p><b>Other Companies</b></p> <ul style="list-style-type: none"> <li>▪ 2002 to Present President Praathid Accounting Co., Ltd.</li> <li>▪ 2009 to Present Independent Director DVMVS Co., Ltd.</li> </ul>

**Mr.Supoj Kaewmanee**

Age 60

- Independent Director and Member of Audit Committee  
Appointed Date : April 8,2019
- Nomination and Remuneration Committee  
Appointed Date : February 26,2018



1. Directorship	▪ 1 consecutive directorship period
2. Stock Holding (Own) at December 30,2019	▪ None
3. Stock Holding (Spouse) at December 30,2019	▪ None
4. Share changed in 2019	▪ None
5. Education / Training	<ul style="list-style-type: none"> <li>▪ Bachelor of Laws ,Thammasat University</li> <li>▪ Master of Laws ,Ramkhamhaeng University</li> <li>▪ Certificate of Director Accreditation Program (DAP) Class 107th Year 2014</li> </ul>
6. Work Experience in the last 5 Years	<p><b>Other Listed Companies</b></p> <ul style="list-style-type: none"> <li>▪ 2013 to Present Chairman of Nomination and Remuneration Committee And Member of Audit Committee LDC Dental Public Co., Ltd.</li> <li>▪ 2014 to Present Chairman of Nomination and Remuneration Committee And Member of Audit Committee Salee Printing Public Co., Ltd.</li> <li>▪ 2017 to Present Chairman of Nomination and Remuneration Committee And Audit Committee Comanche International Public Co., Ltd.</li> <li>▪ 2019 to Present Independent Director and Audit Committee The Union Mosaic Industry Public Co., Ltd.</li> </ul> <p><b>Other Company</b></p> <ul style="list-style-type: none"> <li>▪ 1993 to 2019 Chairman Tossatham Co., Ltd.</li> </ul>

**Mr.Somsakdi Suriyawongse**

Age 67

- Independent Director  
Appointed Date : February 26,2018
- Chairman of Nomination and Remuneration Committee  
Appointed Date : February 26,2018



1. Directorship	▪ Induction since February 2018
2. Stock Holding (Own) at December 30,2019	▪ None
3. Stock Holding (Spouse) at December 30,2019	▪ None
4. Share changed in 2019	▪ None
5. Education / Training	<ul style="list-style-type: none"> <li>▪ Bachelor of Political Science (Politics and Governments) Thammasat University</li> <li>▪ Master of Political Science (Public administration) Thammasat University</li> <li>▪ Diploma, National Defence College, The Joint State Class No.19 National Defence College of Thailand</li> <li>▪ Certificate of Director Accreditation Program (DAP) Class 148th Year 2018</li> </ul>

**Mr.Tsuneo Kakuta**

Age : 58

- Assistant to Chief Executive Officer  
Appointed Date : October 1,1998



1. Stock Holding (Own) at December 30,2019	▪ None
2. Stock Holding (Spouse) at December 30,2019	▪ None
3. Share changed in 2019	▪ None
4. Education / Training	<ul style="list-style-type: none"> <li>▪ Bachelor of Sculpture Art Kyoto -Seika University ,Japan</li> </ul>



**Ms.Mattawan Srisakda**

Age : 45

- Manager : Accounting and Financial Department  
Appointed Date : Since 2009
- Acting for Chief Financial Officer  
Appointed Date : February 7, 2019



1. Stock Holding (Own) at December 30,2019	▪ 33,000 shares or 0.0066%
2. Stock Holding (Spouse) at December 30,2019	▪ None
3. Share changed in 2019	▪ None
4. Education / Training	▪ Bachelor of Business Administration ( Accounting ) Rangsit University
5. Work Experience in the last 5 Years	<b>MCS Group</b> <ul style="list-style-type: none"><li>▪ 2009 to Present Manager : Accounting and Financial Department M.C.S. Steel Public Co., Ltd.</li><li>▪ 2018 to Present Director M.C.S. – JAPAN Co., Ltd. , Japan</li></ul>

**Ms.Kanchalika Sangparinya**

Age 42

- Company Secretary  
Appointed Date : since 2009



1. Stock Holding (Own) at December 30,2019	<ul style="list-style-type: none"><li>▪ 67,500 shares or 0.014%</li></ul>
2. Stock Holding (Spouse) at December 30,2019	<ul style="list-style-type: none"><li>▪ None</li></ul>
3. Share changed in 2019	<ul style="list-style-type: none"><li>▪ None</li></ul>
4. Education / Training	<ul style="list-style-type: none"><li>▪ Bachelor of Business Administrator ( Computer Information Management ) Saint John 's University</li><li>▪ Bachelor of Accounting The University of the Thai Chamber Commerce</li><li>▪ Master of Business Administration ( International Business Management ) Saint John University</li><li>▪ Japanese course Toyo Language school , Japan</li><li>▪ Certificate of Company Secretary Program Year 2010 From IOD</li><li>▪ Certificate of IR Professional Program Class1/2012</li><li>▪ Certificate of IR Fundamental No.2 Year 2019 From SET</li></ul>
5. Work Experience in the last 5 Years	<b>MCS Group</b> <ul style="list-style-type: none"><li>▪ 2005-2008 Secretary to CEO M.C.S. Steel Public Co., Ltd</li><li>▪ 2009 to Present Company Secretary M.C.S. Steel Public Co., Ltd</li></ul>

## Summary of Financial Information

### Separate financial statements

Details		2019	2018	2017
Total asset	Million Baht	4,941.59	3,767.72	3,482.94
Issued and paid-up share capital	Million Baht	500.00	500.00	500.00
Equity	Million Baht	3,034.77	3,004.93	2,561.99
Total Income	Million Baht	3,223.65	3,173.26	3,067.63
Total Expense	Million Baht	2,596.11	2,698.93	2,435.13
Net profit	Million Baht	600.49	451.12	539.43
Earnings per share	Baht	1.26	0.99	1.16
Book value	Baht	6.07	6.01	5.12
Par value	Baht	1.00	1.00	1.00
Dividend per share	Baht	0.65	0.50	0.60
Dividend per Net Profit	%	51.63	52.87	51.28

### Consolidated financial statements

Details		2019	2018	2017 ( Restated)
Total asset	Million Baht	5,096.49	4,033.82	3,840.63
Total Liability	Million Baht	2,041.32	1,064.38	1,245.16
Equity	Million Baht	3,055.17	2,969.44	2,595.46
Revenue from sales and rendering of services	Million Baht	3,300.34	3,248.26	3,103.85
Total Income	Million Baht	3,357.88	3,292.05	3,158.36
Total Expense	Million Baht	2,713.95	2,851.84	2,585.63
Gross profit	Million Baht	1,150.09	1,083.88	1,344.70
The company's Profit in the owners	Million Baht	608.54	416.93	474.65

## Corporate Information

Name of company	M.C.S. Steel Public Company Limited
Type of business	Fabrication and Erecting Steel Structure
Public company registered	0107548000048
Registered capital	500,000,000 Baht ( Fully paid up ) comprises 500,000,000 shares with 1 Baht of par value.

### Head office and Factory

70 Moo 2 Changyai Bangsai Ayutthaya 13290  
Tel : 035-372961-6  
Fax : 035-372967-8  
Website : [www.mcssteel.com](http://www.mcssteel.com)  
E-mail : [info@mcssteel.co.th](mailto:info@mcssteel.co.th)



## Other Reference

### **A) Registrar**

The Thailand Securities Depository Co.,Ltd.  
93 Ratchadaphisek Road, Dindaeng,  
Bangkok 10400, Thailand  
Tel : (66 2) 009 9999  
Fax : (66 2) 009 9991

### **B) Auditor**

Ms.Wannisa Ngambuathong  
Certified Public Accountant Registration No. 6838  
Dharmniti Auditing Co., Ltd.  
178 Dharmniti Building Floor 6-7 Soi Permsap (Prachachuen 20) Prachachuen Road,  
Bangsue, Bangkok, 10800 Thailand  
Tel : (66 2) 596-0500 Ext. 327 , (66 2) 596-0596  
Fax : (66 2) 586-0301

### **C) Law Advisor**

Paramee Law Co., Ltd.  
511/4 Prachauthit 117/1 Road  
Thungkhru, Bangkok 10140  
Tel : (66 2) 815-9523

### **D) Financial Advisor**

-None-

### **E) Financial Institutions Regularly in Contact**

Bangkok Bank – Head Office ( Silom )  
Bangkok Bank – Pratunam Pra-In

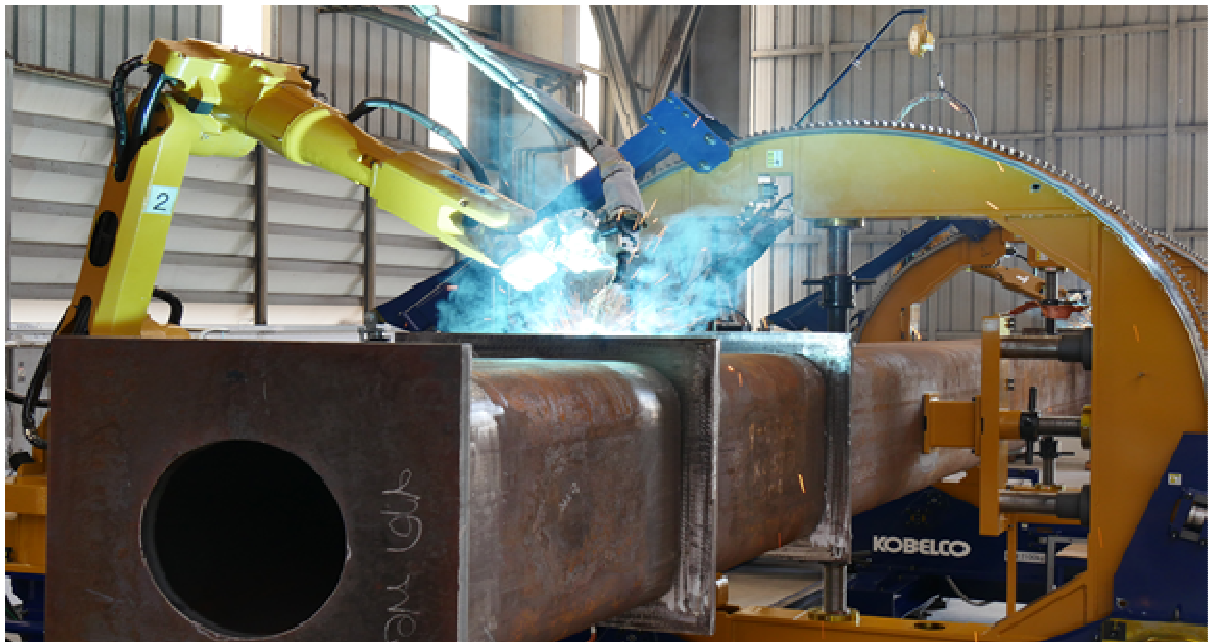
### Company Policy



**"We are a fabricator, erector and inspector of steel construction with the quality meets the international standard and the customer satisfaction"**

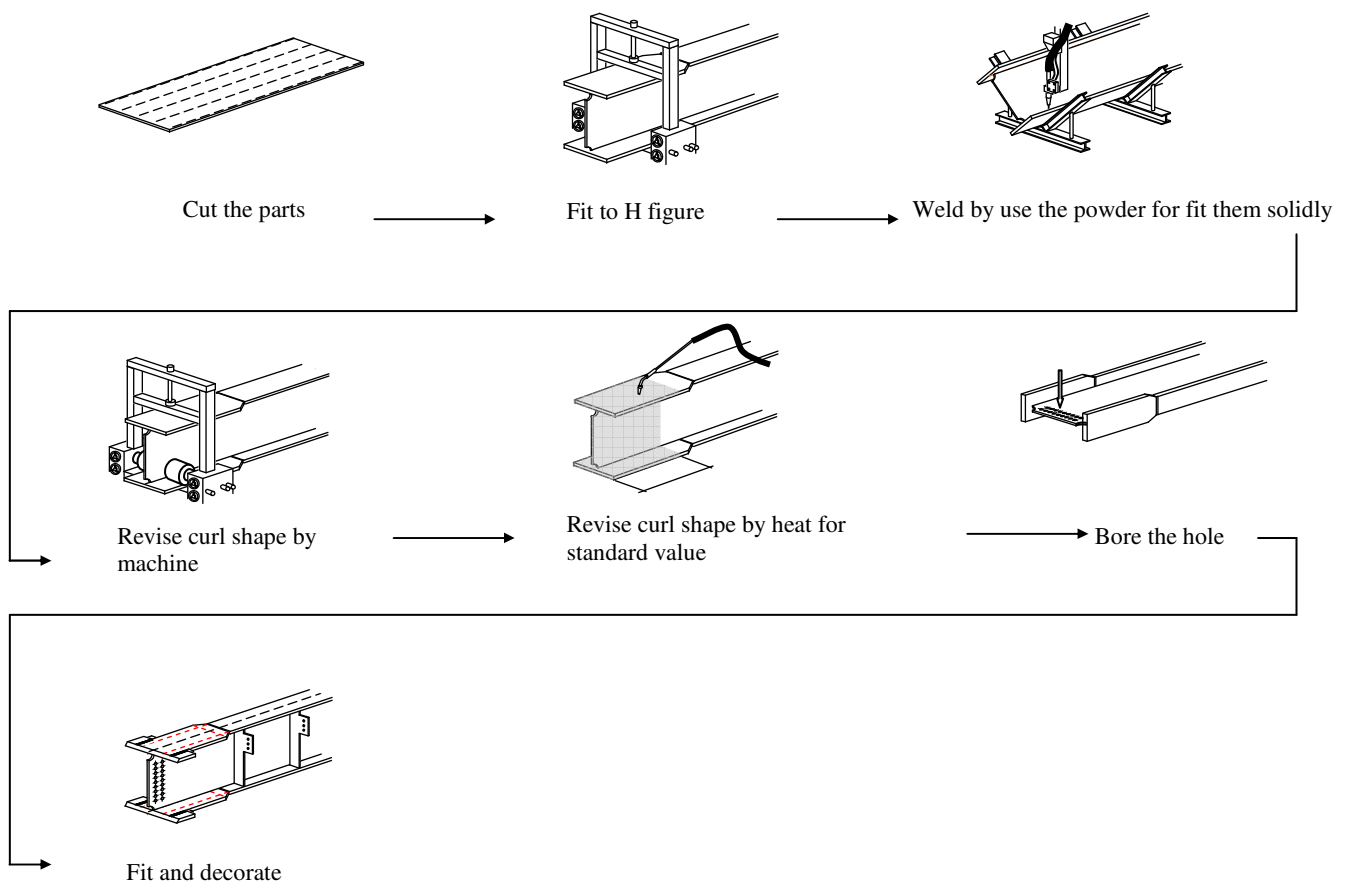
M.C.S. Steel Public Co., Ltd. ("Company") (formerly known as "M.C.S. International Co.,Ltd." and M.C.S. Hokoku Co.,Ltd.) was found in 1992 by a group of specialists in the steel and construction industry. This group is made up of 4 people consisting of Dr. Naiyuan Chi, Mr. Sompong Methasatidsuk, Mr. Manot Iwanuwat, and Suwat Uengphakon. The initial registered capital for the company was 15 million Baht. At present, the company has the registered capital of 500 million Baht, of which 500 million shares are paid-up common shares with the par value of 1 Baht per share. The primary purpose was for operating business in manufacturing and setting up general steel structure fabrications of small and medium sizes for buildings. Subsequently, the company has evolved to become a manufacturer of fabricated steel especially for steel structures to be used as a Beam and Column Box which have high resistance to earthquake, useful for construction of large and tall buildings. Furthermore, in 2003 the company has expanded its operations to invest in the agriculture business, but for two years in the organic fertilizer has not been successful because it has never been seriously support by the government. Therefore in end of 2006 the company has decided to cancel this business. However the company will continue only small scale research and analysis by not expect the profit. The company operate the steel business.

The factory is located at Changyai Sub-district, Bangsai District, Phra Nakhon Si Ayutthaya Province. The Steel business line is the business of the company. The company manufactures and sells large structured steel fabrications for large construction projects both domestically and internationally. There are mainly 2 types of structure steel fabrications, one to be used as a box column and the other to be used as a girder, which are both important parts of a building. MCS now consists of 13 Factories in 255 rai and have maximum capacity for 70,000 tons per year, And in 2016 ,the company have bought Robot Machines for producing Column and Pipe, It have produced since June of 2017 which get the capacity increase to 12,000 – 15,000 Tons per year for Column and Pipe.



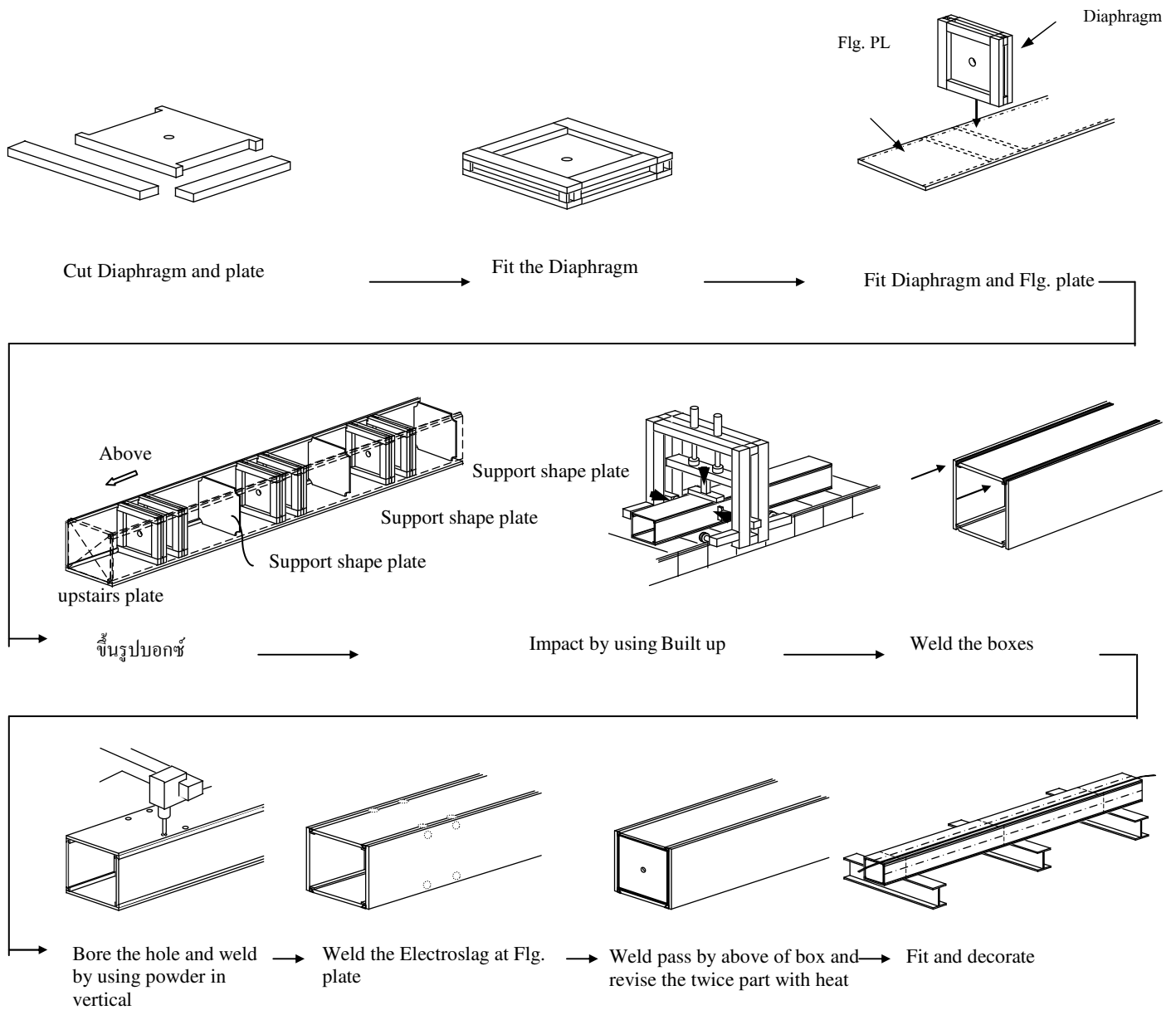
The procedure of structure steel fabrications will begin from bringing high-quality hot-rolled steel plates and cutting them into the desired size, then the pieces of steel will be put together by attaching them into different shapes, for instance a column box or beam. A connecting wire will be used to weld the steel plates together. Next, the related pieces, for example, steel wire, steel pipe, and steel plate are put together according to the blue print. The final step is to fine-tune the product to achieve the desired quality standards.

### **Procedure of producing Beam**





## Procedure of producing Box



The company mainly sell directly to customers, with the target market being large contractors and general customers with construction projects. In 2019 the company sold directly to customers in Japan as 73.27% and domestic work as 26.73% of the total sales. On average the company will receive purchasing orders from clients at least 6 months to 1 year in advance. This has made the company free of manufacture and sales problems. Furthermore, the products of the company are of high quality with the standard acceptable in Japan. The company has always maintained its product quality, by manufacturing its products consistently at a high standard. As such , MCS has obtained accredited certifications from domestic and international famous institutions including;

- 1998 H Class Fabricator from Japan Steel Rip Fabricating Association  
ISO 9002
- 2000 ISO 9001 : 2000
- 2006 ISO 17025 : 2005 ( Certificate of Laboratory and Accreditation )
- 2007 AISC ( American Institute of Steel Construction Ins. ) for Building Structure
- 2008 OHSAS 18001 : 2007 ( Occupational Health and Safety System )
- 2009 Upgraded ISO 9001 : 2000 to 9001: 2008
- 2010 Best Performance Award from SET
- 2011 S Grade : Certificate from Minister of land , infrastructure and transportation of Japan
- 2012 ISO 3834 Part2 ( International Institute Of Welding for steel fabrication of building and bridge structure )
- 2013 ISO : EN 1090 Part 2  
EN 1090 Part 2 ( Steel Fabrication of Building and Bridge Structure )
- 2015 ISO 14001 : 2004 Environmental Management System: EMS
- 2016 Upgraded ISO 9001 : 2008 to ISO 9001: 2015
- 2017 Recertified AISC, ISO 9001:2015, OHSAS 18001:2007, ISO/IEC 17025:2005, EN ISO 3834-2, ISO 14001:2004 and S-GRADE
- 2018 Recertified ISO 14001: 2015
- 2019 ISO EN 3834 : Specification and Quatification of Welding Procedure for Matallic Materials.  
Welding Procedure Specification – part 2 : Gas welding  
Recertified AISC  
Upgraded OHSAS 18001 : 2007 to ISO 45001 : 2018



## Significant Changes in 2019

### On January 1,2019

- Appointed the new title of the company 's Executive

No.	Name of Executive	Former Title	New Title
1.	Dr.Naiyuan Chi	Chairman of Executive Committee	Chief Executive Officer
2.	Mr.Phairat Viwatborvornwong	President	Chief Planning and Construction Officer
3.	Mr.Pornchai Phisarnanukunkit	Senior Vice President of Production	Chief Operating Officer
4.	Ms.Wanna Pholkeaw	Vice President of Foreign Co-ordination	Chief Marketing and Quality Assurance Officer

### On February 7,2019

- Appointed Ms.Mattawan Srisakda to be the Acting for Chief Financial Officer.

### On April 30,2019

- Informed to sign the contract of Shibuya Project around 25,623 ton from Kajima Corporation Co., Ltd.

### On July 15,2019

- Informed to sign the contract of O-NES Tower Project in Thailand around 6,700 ton from Thai Obayashi Corporation Co., Ltd.

### On August 2,2019

- Informed to sign the contract of Kudan kaikan redevelopment Project around 9,200 ton from Kajima Corporation Co., Ltd.
- Informed to sign the contract of Mita 3,4 chome redevelopment Project around 7,300 ton from NIPPON STEEL ENGINEERING Co, Ltd.

### On August 5,2019

- Informed to sign the contract of Toranomom Azabudai redevelopment Project around 33,000 ton from Shimizu Corporation Co, Ltd.

**On August 30,2019**

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- Informed to sign the contract of Funabashi Project around 14,000 ton from Obayashi Corporation Co., Ltd.

**On September 2,2019**

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- Informed to sign the contract of Toranomom 1,2 chome redevelopment Project around 40,000 ton from Kajima Corporation Co., Ltd.

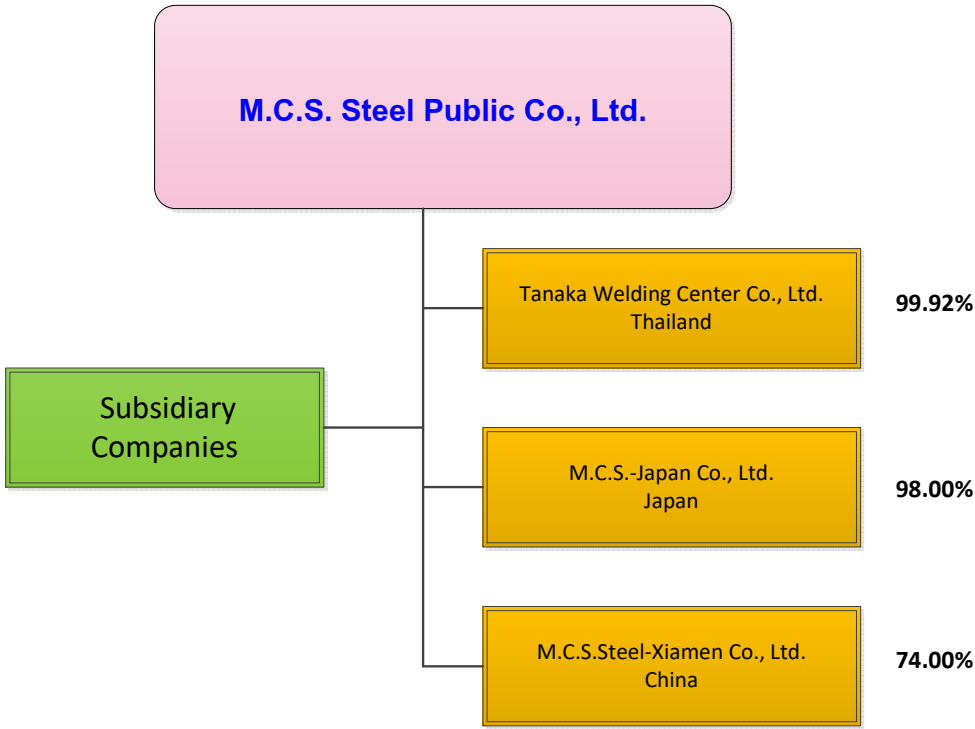
**On November 7,2019**

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- Approved the interim dividend for 9 months (Jan-Sep) of 2019 as 0.25 Baht per share and the payment date was on December 4,2019.

# Investment Structure

In year 2019 ,M.C.S. Steel Public Co., Ltd. There are 3 subsidiary companies as following;





## Tanaka Welding Center Co., Ltd.



<b>Type of Business</b>	Training & Construction
<b>% of Holding</b>	99.92%
<b>Type of relation</b>	Shareholding and Co-Director
<b>Capital</b>	99 Million (Baht)
<b>Par Value per Share</b>	100 Baht (990,000 shares)
<b>Head Office</b>	70 Moo 2 Changyai Bangsai Ayutthaya 13290 Thailand
<b>Telephone</b>	035-372961

## M.C.S.-JAPAN Co., Ltd.



<b>Type of Business</b>	Made to order
<b>% of Holding</b>	98.00%
<b>Type of relation</b>	Shareholding and Co-Director
<b>Capital</b>	50 Million (JPY)
<b>Par Value per Share</b>	1,000,000 JPY (50 shares)
<b>Head Office</b>	711-2 Owadashinden Yashiyo-shi Chiba 276-0046 Japan
<b>Telephone</b>	81-47-4306265



## M.C.S. Steel Xiamen Co., Ltd.



<b>Type of Business</b>	Made to order
<b>% of Holding</b>	74.00%
<b>Type of relation</b>	Shareholding and Co-Director
<b>Capital</b>	7.8 Million US Dollar
<b>Head Office</b>	No.18 Shugang Road Banshan Village Lieyu Town Yunxiao County, Zhangzhou City Fujian China
<b>Telephone</b>	86-592-6511-711

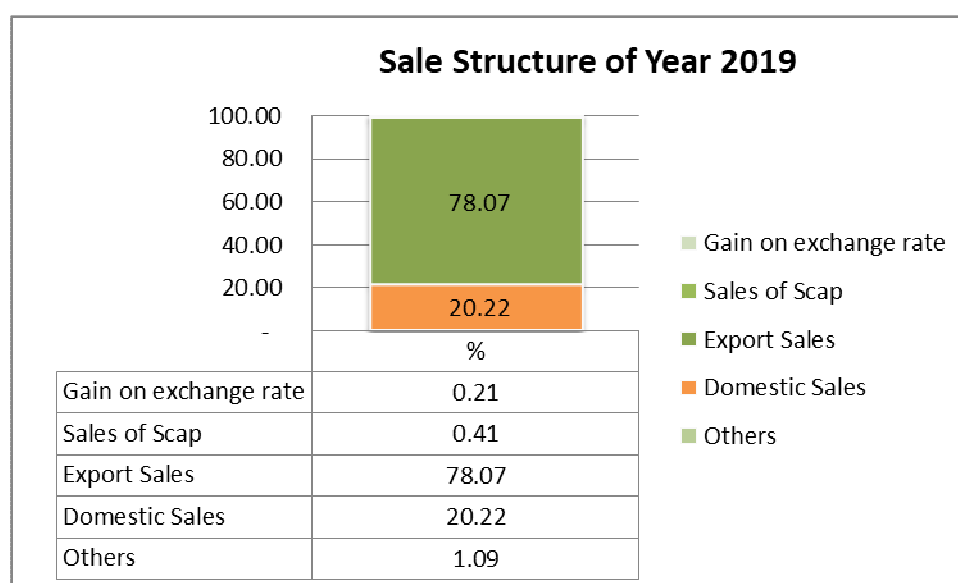


## Sales Structure

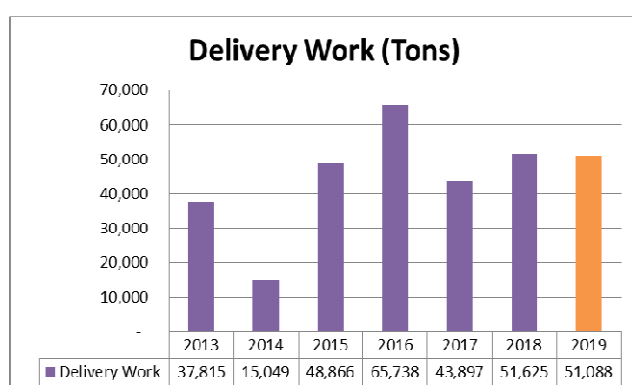
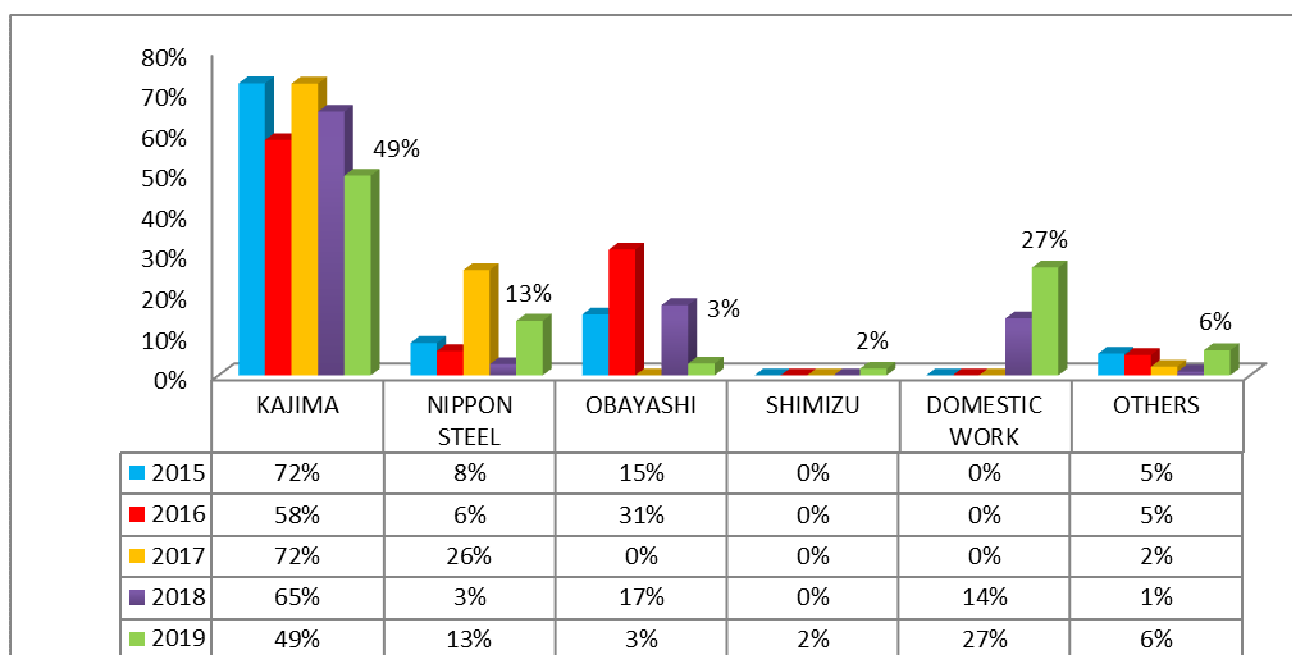
Value : Baht

Product	2017		2018		2019	
	Value	%	Value	%	Value	%
1. Income from Sales of Steel Structure						
1.1 Domestic Sales	-	-	304,685,385	9.26	678,913,239	20.22
1.2 Export Sales	3,103,845,344	98.27	2,943,575,227	89.41	2,621,430,835	78.07
2. Income from sales of scraps	14,809,529	0.47	14,911,384	0.45	13,924,279	0.41
3. Other incomes	39,709,594	1.26	28,874,417	0.88	36,547,795	1.09
3.1 Gain on sales of investment	-	-	-	-	-	-
4. Gain on exchange rate	-	-	-	-	7,063,214	0.21
<b>Total revenues</b>	<b>3,158,364,467</b>	<b>100.00</b>	<b>3,292,046,413</b>	<b>100.00</b>	<b>3,357,879,363</b>	<b>100.00</b>

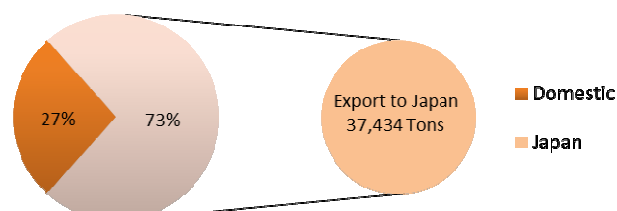
This revenue structure does not include the profit (loss) share from the subsidiary companies.



## Summary of Customers



### Delivery work (Tons) Year 2019

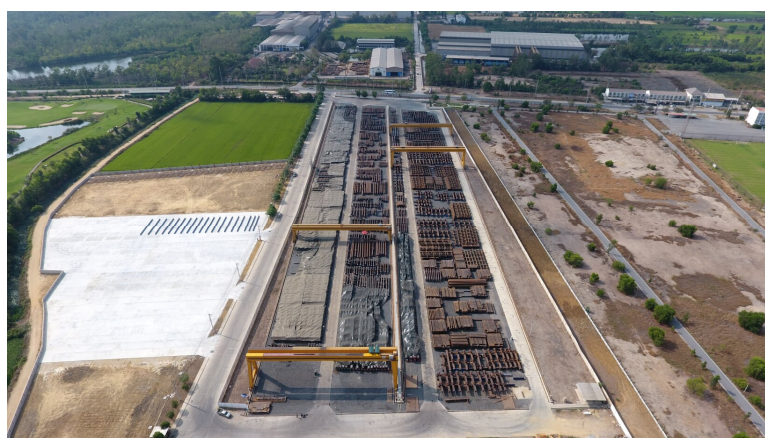


## Undelivered Work

At December 31,2019 , The company has undelivered work as below ;

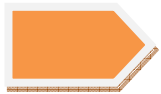
Million ( JPY )

No.	Project	Type	Location	Project value	Expect year	% of Undelivered work	Value of Undelivered work	Status of contract
1	FUNABASHI 3	High Building	Japan	3,012.18	2020	71.47%	2,152.70	Completed
2	KUDANKAIKAN	High Building	Japan	2,169.26	2020	100.00%	2,169.26	Completed
3	MITA	High Building	Japan	1,490.14	2020	93.11%	1,387.43	Completed
4	SHIBUYA	High Building	Japan	5,500.66	2021	59.54%	3,275.01	Completed
5	TORANOMON AZABUDAI	High Building	Japan	9,486.00	2020	94.69%	8,982.63	Completed (Part)
6	TORANOMON STATION	High Building	Japan	1,378.32	2020	76.78%	1,058.33	Completed (Part)
7	YOKOSUKA	High Building	Japan	177.14	2020	100.00%	177.14	Completed
8	HODAKA	High Building	Japan	86.44	2020	92.32%	79.80	Completed
9	MEGURO	Factory High Building	Japan	258.25	2020	100.00%	258.25	Completed
10	ONES	High Building	Thailand	1,862.89	2021	49.19%	916.33	Completed
Total (Million JPY )							20,456.88	
Total (Million Baht) as Exchange rate on December 30,2019 : 100 JPY = 0.272276							5,569.92	



Finished work : Waiting to Delivery  
Photo take on (Mar-2020)

## Risk Factor



### **Risk in relation to exchange rate**

All exporters inevitably are affected by movements in exchange rate. Fortunately, this company earns much of its income in Yen therefore the company has been less affected by exchange rate movements since raw materials, which represent around 40% of production cost is denominated in the same currency, acting as a natural hedge against foreign exchange fluctuations. However, the fluctuation in the extremely strong Thai baht and intended weakened Japanese currency in the calendar year 2019 has resulted in a negative impact to our performance. We can only expect continued volatile currency exchange movements, which will have a significant bearing on our operations.



### **Risk in relation to oil prices**

In the calendar year 2019, crude oil prices in the world market has been under an uncertain pressure for most parts of fiscal year. This has had some effect on transportation costs in all sectors, but particularly for exporters. The change in oil prices has had an impact on our transportation cost, affecting our total cost by 10 to 15%. We anticipate that oil prices will continue to remain volatile in 2020 due to the increasing geopolitical risk.



### **Risk of major shareholders having influence in setting up management policy**

Although, Dr. Naiyuan chi has been contracted to the position of CEO, the company now rely mainly on independent directors for company policy setting. No major shareholders having influence in setting up management policy today.





### **Risk of depending on only a few major customers**

The company operates the business of fabricating and delivering large scale steel structures according to specifications defined by each project. Our major customers are Kajima Corporation, Shimizu Corporation, Obayashi Corporation and Takenaka Corporation, which are four of the largest and leading construction companies in Japan and where more than 70% of the total revenue of the company during the calendar year 2019 was derived from. Therefore, the loss of any of these customers will significantly impact the operations of this company. However, the company has announced plans to expand into other market as to reduce this risk and certain preparation work has been conducted during the calendar year 2019 and will continue into the calendar year 2020.



### **Risk in relation to supply of raw material**

The main raw material used in fabricating steel structures is special hot rolled steel. The company orders special grade hot rolled steel from JFE steel corporation, the second largest steel mill in Japan as the main source of supply. The value of import is approximately 80% of total cost of raw material of this company. Achievement of the company's policy to spread the risk of depending on only one supplier for raw material is possible through procuring steel plates with the same characteristics and similar quality from SHINNITTETSU SUMIKIN corporation in Japan and POSCO corporation in Korea. Also, the company has started to explore purchasing materials from Chinese mills through our facility in China. The company has successfully utilized Chinese material although Chinese steel costs fluctuates frequently due to the Chinese government policy. We still expect that using Chinese material may give us an edge over our competitors in Japan in the coming years. However, mergers between large mills around the world in recent years have created unofficial cartels which may lead to higher prices. It will be a never ending subject for any fabricator to secure raw materials in sufficient quantity and at a reasonable cost.



### **Risk in relation to the economic climate and the construction industry in Japan**

The business of the company is the supplying of large sized structural steel for high rise building, 90% of which are for big contractors in Japan. The calamitous events in the global economy have severely affected the construction industry, and the Japanese construction industry is no exception. With delays becoming the norm, construction projects have never been as stable as before. Also, projects for major Japanese developers in and around central Tokyo have been largely delayed due to insufficient labor and material supply. Also after the 2020 Olympic games in Tokyo, a turn around in construction investment relating to the construction industry can be expected. Although this company has workload booked into 2022.



## Assets for Business Operation

At December 31,2019 , The company has assets for business operation as below ;

Type of Asset	Ownership	Cost	Net Value	Security Value with Guaranteed Obligation	Obligations
(1) Land and Improvements	Owner	348,553	348,553	86,220	mortgaged
(2) Buildings and Structures	Owner	903,020	460,160	79,307	mortgaged
(3) Machinery and Equipment	Owner	982,287	353,883	0.27	mortgaged
(4) Office Equipment , Furniture and Vehicles	Owner	185,170	41,241	-	N.A.
(5) Assets under Construction	Owner	87,735	87,735	-	N.A.
<b>Total and Building and Equipment</b>		<b>2,506,764</b>	<b>1,291,572</b>	<b>165,527</b>	

(Unit : Thousand Baht)



Crane 15 Ton, New Stockyard

# Shareholders And Dividend Payment Policy

## 1. Company's Equity

Registered capital and paid-up capital of the Company as at 31 December 2019 was

Registered capital	amount	500,000,000	Baht
Total paid	amount	500,000,000	Baht
Common shares	amount	500,000,000	Shares
Repurchase shares	amount	23,000,000	Shares
Par value per share		1.00	Baht

## 2. Dividend Policy

A Policy dividend rate at least 50 percent of net profit (Separate Financial Statement) after tax and legal reserves , however , Company may make a dividend less defined above depending on financial performance, liquidity needs to be used as working capital for operations expansion and other factors involved in the management of the company. In the subsidiaries and dividend policy of subsidiary company and associated company will pay dividends to the company based on performance in each year.

The Company has paid dividends for the year 2009-2019 results as described below.

Year	Net Profit (Separate Financial)	Total of Dividend	%
	Million Baht	( Baht )	Of Net Profit
2009	586.80	0.60	51.12
2010	797.36	0.80	50.17
2011	490.08	0.50	51.02
2012	170.40	0.18	52.82
2013	354.18	0.20	28.25
2014	123.34	0.20	81.08
2015	654.41	0.70	51.92
2016	1,163.64	1.36	55.28
2017	539.43	0.60	50.28
2018	451.12	0.50	52.87
2019	600.54	0.65**	51.63
	<b>Total</b>		

\*\* The total included the dividend that prefer the AGM of 2020 to pay the dividend for operation of 2019 as 0.40 Baht per share which will pay on April 29,2020.

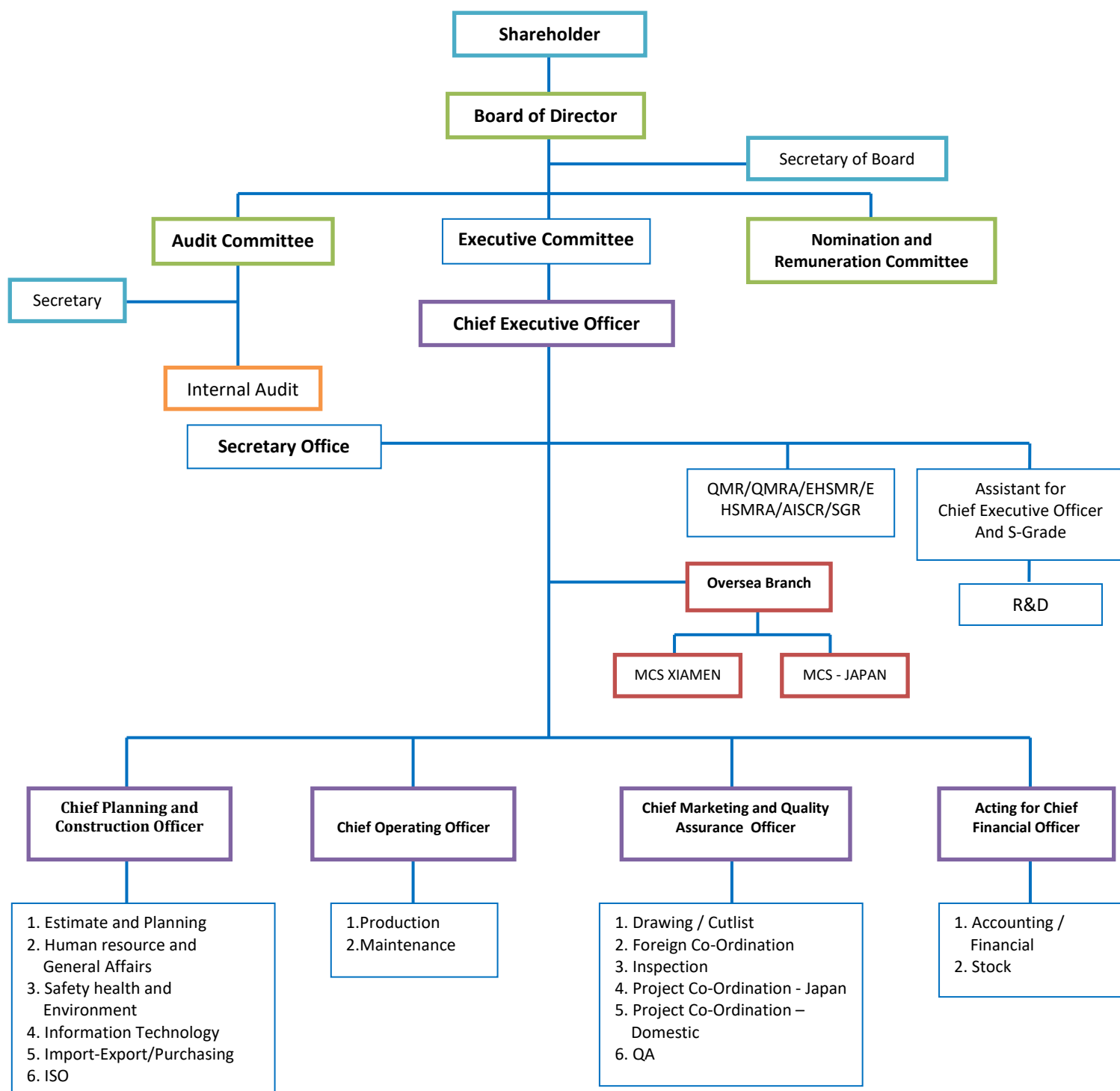
### 3. Shareholders

List of top shareholders and percentage of shares holding as January 16,2020.

	Name	Share(s)	Holding
			(%)
1	Thai NDVR Co., Ltd.	46,189,356	9.24
2	Mr. Surachai Rathithong	25,350,000	5.07
	Mr. Surachai 's group	14,665,300	2.93
	<b>Total of Mr. Surachai 's group</b>	<b>40,015,300</b>	<b>8.00</b>
3	Mrs. Dorn Teantavornwong	31,765,200	6.35
4	Mr. Tommy Taechaubol	23,000,000	4.60
	Mr. Tommy 's group	8,173,000	1.63
	<b>Total of Mr. Tommy 's group</b>	<b>31,173,000</b>	<b>6.23</b>
5	Mr. Harkishin Tanwani	30,000,000	6.00
6	M.C.S. Steel Public Company Limited	23,000,000	4.60
7	NOMURA SECURITIES CO LTD-CLIENT A/C	14,496,000	2.90
8	Mr. Sila Vinaiwattanawong	12,280,300	2.46
	Mr. Sila 's group	100,000	0.02
	<b>Total of Mr. Sila 's group</b>	<b>12,380,300</b>	<b>2.48</b>
9	Mr. Sompong Metasatidsuk	7,024,000	1.40
	Mr. Sompong 's group	955,500	0.19
	<b>Total of Mr. Sompong 's group</b>	<b>7,979,500</b>	<b>1.60</b>
10	Mr. Somkiat Terdtuntaweet	6,580,400	1.32
11	Mrs. Sumporn Kaireak	5,229,500	1.05
12	NOMURA PB NOMINEES LTD.	5,195,500	1.04
13	Dr. Naiyuan Chi	5,000,000	1.00
14	Others	240,995,944	48.20
<b>Total</b>		<b>500,000,000</b>	<b>100.00</b>

# Management Structure

## 1. Management Structure ( December 31,2019 )



The corporate management structure consists of 5 groups of directors which are :

- (1) Board of Director
- (2) Executive Director
- (3) Audit Committee
- (4) Nomination and Remuneration Committee
- (5) Top Managements

### **(1) The Board of Directors**

There are 8 persons at December 31,2019 ,determines business policy and has authority and duty to manage the company complying with objective , regulation and resolution from the shareholders meeting and disclose enough information all over for the shareholders or other person . The board of the directors may authorize director(s) or other person to do any responsibility for them.

Name	Position	Category	2019
			Total of Meeting
1. Dr.Naiyuan Chi	Chairman of Board Director Chief Executive Officer	Executive Director	7/7
2. Mr.Phairat Viwatborvornwong	Director Top Management	Executive Director	5/7
3. Mr.Pornchai Phisarnanukunkit	Director Top Management	Executive Director	6/7
4. Ms.Wanna Pholkaew	Director	Executive Director	6/7
5. Gen. Titiwat Kamlang-Ek	Chairman of Audit Committee	Independent Director	7/7
6. Mr.Tinakorn Seedasomboon	Audit Committee	Independent Director	7/7
7. Mr.Supoj Kaewmanee	Audit Committee	Independent Director	7/7
8. Mr.Somsakdi Suriyawongse	Chairman of Nomination and Remuneration Committee	Independent Director	7/7

## **(2) Executive Director**

There are 4 persons at December 31,2019 including

No.	Name	Position	Category
1.	Dr.Naiyuan Chi	Chief Executive Officer	Executive Director
2.	Mr.Phairat Viwatborvornwong	Chief Planning and Construction Officer	Executive Director
3.	Mr.Pornchai Phisarnanukunkit	Chief Operating Officer	Executive Director
4.	Ms.Wanna Pholkaew	Chief Marketing and Quality Assurance Officer	Executive Director

## **(3) Audit Committee**

The Audit Committee of M.C.S. Steel Co, Ltd. (Public) consists of 3 company committee which is independent committee.

Name	Position	2019
		Total of Meeting
1. Gen.Titiwat Kamlang-Ek	Chairman of Audit Committee	5/5
2. Mr.Tinakorn Seedasomboon	Audit Committee	5/5
3. Mr.Supoj Kaewmanee	Audit Committee	5/5

The period is 3 years ( 26/2/2019-25/2/2022).

Ms.Kanchalika Sangparinya is the secretary to the Audit Committee.

### **Power into perform work**

1. To make consideration in selection, propose for appointment or employment termination of an independent person in order to performs his/her duty as the Auditor of the Company, and to propose his/her remuneration and appointment to the Shareholders Meeting for approval.
2. To make consideration, in case the Management and the Auditor have different opinion on Financial Report. However, it excludes the power to approve adjustment of important accounting policies stated in accounting and financial regulations of the Company which is in the power and the duty of the Board of Directors.
3. To give comment in making consideration of appointment, transferring, termination, and feats of internal auditing work unit chiefs.
4. To approve the charter of internal auditing work units.

5. To consider approval of annual budget, manpower, and necessary resource for performing work of internal auditing unit.
6. To approve annual auditing plan, as well as making consideration for approval of revision/ adjustment for change of work planning in the part of implicitly significant.
7. To access to every level of information of the Company, including invitation made to executives, employees, or related persons to the meeting and give information concerned under work performance within the scope of the power and the duty assigned by Board of Directors.
8. To consult the expert or the consultant of the Company (if any), or hire the consultant, or the expert outside in necessary case with the expense of the Company.

## **Duty**

1. To check up for the Company to have correct financial report with enough revelation.
2. To promote for having development system of financial report to be on a par with international accounting standard.
3. To check up the effectiveness of information technology that relates to financial report and internal control.
4. To check up of efficiency and effectiveness of good corporate governance process, risk management process and internal control process.
5. To make consideration of the report from Risk Management Sub-Committee and discuss with Management on assessment of policy, and risk management.
6. To make consideration of the assessment result of internal control system of the Company to ensure to Board of Directors that activities have sufficient internal control and in accordance with good corporate Governance process.
7. To check up performance to be in accordance with recommendation in the assessment report of internal control system received from the Internal Auditor, the Accounting Auditor with the aim for improvement and rectification of the weak point in working process to have the most effectiveness.
8. To check up for the Company to comply with the law concerning Security and The Stock Exchange of Thailand, requirement of The Stock Exchange of Thailand and law related to business of the Company.
9. To make consideration of things to be in accordance with involving laws, in case there are related items, or items that may have conflict of interest, they are required to be in accordance with the law and the requirement of The Stock Exchange of Thailand, in order to ensure that such items are reasonable and to the maximum benefit of the Company.
10. To check up anti-corruption process of the Company.
11. To check up internal process on receiving and supervising clue notification, receiving of complaints.
12. To attend the meeting with the Accounting Auditor for acknowledgment of quarterly Financial Reports, and/or the inspection result of yearly Financial Report, and discuss about problems/ obstacles that may be found from work performance of the Accounting Auditor, by holding the meeting with the Accounting Auditor without participation of the Management at least once a year. And assess the efficiency and the effectiveness of performance result, and to make consideration of the independence of the accounting Auditor.
13. To check up the internal auditing process to be suitable and effective
  - To ensure the independence of the internal auditing unit by prescribing the Audit Committee to have chain of command directly to the internal auditing work unit.
  - To supervise internal auditing work unit to perform works in accordance with yearly inspection plan that has been approved and to perform in accordance with international standard of internal audit profession practice.
14. The Audit Committee shall be the one who reports work result of The Audit Committee to the Board of Directors Meeting for acknowledgement and/or for consideration periodically.



15. To prepare report of the Audit Committee for revealing in annual report of the Company. Such report must be signed by Chairman of the Audit Committee, which must be composed of :
  - Comment on the correctness, completeness making Financial Report of the Company reliable.
  - Comment on sufficiency of Internal Control System of the Company.
  - Comment on performing in accordance with the law concerning Security and Stock Exchange of Thailand, or laws in relation to business of the Company.
  - Comment on suitability of the Accounting Auditor.
  - Comment about items that may have the conflict of interest.
  - Number of meetings of Audit Committee and participation of each audit committee member.
  - Comment or observation as a whole that the Audit Committee receives from performing the duty pursuant to the Charter.
  - Other particulars deemed that shareholders and investors should know under the scope of duty and responsibility assigned by Board of Directors of the Company.
16. To check up and give comment to assessment sufficiency form of internal control system from assessment of Management.
17. In performing duty of the Audit Committee, if in doubt whether there are the following particulars, or acts which may be implicitly significant to Financial position, and result of business operation of the Company, the Audit Committee is required to report to Board of Directors of the Company for carrying out the improvement, rectification within the time deemed appropriate by the Audit Committee.
  - (1) Particulars causing conflict of interest
  - (2) Dishonesty, or abnormal things, or significant defect in internal control
  - (3) Offence against the law relating to the Company's business

Failure of the Board of Directors, or executives to carry out the improvement or rectification within time specified by the Audit Committee, any Audit Committee member may report that there is an item or an act under Paragraph One to Office of Securities and Exchange Commission, or The Stock Exchange of Thailand.

18. To give comment differently from the comment of Board of Directors on entering into making list of acquisition, or distribution, of assets items as prescribed by The Stock Exchange of Thailand.
19. Perform other duties assigned by Board of Directors with approval of Audit Committee, and such orders must be in writing.
20. To assess result of annual performance of Audit Committee for conclusion of self-assessment to submit to Board of Directors for supporting consideration of assessment result of Audit Committee's annual performance.
21. To check up supervision of complaint receiving process by Management.
22. To consider approval of working experience of assignees for highest responsibility in accounting and finance which is direct benefit to business operation of the Company, and in case the Company arranges the training course for supporting knowledge development on accounting continuously by the Company itself, the Audit Committee is to show that the content and number of the course training hours have already passed the consideration of the Audit Committee to be in accordance with the requirement of the Office.
23. To consider approval of working experience of assignees to have direct responsibility for supervision of doing accounting which is direct benefit to business operation of the Company, and in case the Company by itself, arranges the training course for supporting knowledge development on accounting, the Audit Committee is to show that the content and number of the course training hours have already passed the consideration of the Audit Committee to be in accordance with the requirement of the Office.

#### **(4) Nomination and Remuneration Committee**

The Nomination and Remuneration Committee which consists of 3 company committee .

Name	Position	2019
		Total of Meeting
1. Mr.Somsakdi Suriyawongse	Chairman of Nomination and Remuneration Committee	4/4
2. Mr.Tinakorn Seedasomboon	Nomination and Remuneration Committee	4/4
3. Mr.Supoj Kaewmanee	Nomination and Remuneration Committee	4/4

The period is from February 26, 2018 onwards and the period is 3 years.

Ms.Kanchalika Sangparinya is the secretary to the Nomination and Remuneration Committee.

#### **The duties and responsibilities can be summarized as follows:**

- 1) To consider and review the qualification of persons to hold the position of Directors in Board of Directors of the company and of its subsidiaries. A director must have a variety of qualification, namely skill, experience, and specialization which will be beneficial to the company.
- 2) To seek new Directors for the company and its subsidiaries to replace Directors of the company and its subsidiaries who complete their office term, or in the other cases that make the positions of Directors of the company and its subsidiaries become vacant.
- 3) To review the independence of Directors of the company and its subsidiaries, including conflict of interest that may occur from performing duties of Directors.
- 4) To consider the plan of position succeeding, and seek executives to hold the highest superior ranks whatever names of the ranks may be called, such as managing director, CEO, etc. of the company and its subsidiaries for submission to Board of Directors of the company for consideration of approval.
- 5) To propose the guideline and method for payment of remuneration to Board of Directors and its subsidiaries, including Sub-Committee appointed by Board of Directors.
- 6) To prescribe the policy for consideration of remuneration and evaluation criterion of work performance result of executives who are the highest superiors of the company and its subsidiaries, as well as consideration of salary adjustment and prescribing annual bonus amounts, based on business operation and result of work performance, in order to propose to Board of Directors of the company for approval.
- 7) To evaluate work performance of executives, who are in the highest positions of the company and its subsidiaries in order to adjust their remuneration yearly, before submitting to Board of Directors of the company for approval.
- 8) To regularly consider remuneration of Board of Directors of the company and of its subsidiaries, Sub-Committee, and executives who are the highest superiors of the company and its subsidiaries, by comparing to the other companies that operate the same business nature, in order to create the incentive to work management.

- 9) To set up standard of work performance evaluation as a whole, both in the organization of the company and subsidiaries, and to consider salary adjustment and fix amounts of annual bonus to employees in the whole organization (except executives who are the highest superiors) of the company and its subsidiaries, on the basis of business operation and work performance result and submit to Board of Directors for approval.
- 10) To report the progress and work performance result to Board of Director every time after the meeting of the NRC.
- 11) To evaluate the result of duty performance of the NRC and report the evaluation result to Board of Directors for acknowledgement.
- 12) To perform other duties assigned by Board of Directors.

#### **(5) Top Managements**

At December 31,2019 ,The company has 6 persons composing of Chief Executive Officer, Chief Planning Officer, Chief Operating Officer , Chief Marketing Officer, Asst. to Chief Executive Officer and Manager of Accounting and Financial are management team of the company that operate in their responsibility line of work.

NO.	NAME	POSITION
1.	Dr.Naiyuan Chi	Chief Executive Officer
2.	Mr.Phairat Viwatborvornwong	Chief Planning and Construction Officer
3.	Mr.Pornchai Phisarnanukunkit	Chief Operating Officer
4.	Ms.Wanna Pholkaew	Chief Marketing and Quality Assurance Officer
5.	Ms.Mattawan Srisakda	Acting for Chief Financial Officer Manager : Accounting and Financial Department
6.	Mr.Tsuneo Kakuta	Asst. to Chief Executive Officer

#### **(6) Company Secretary**

Now , the company secretary is Ms.Kanchalika Sangparinya.

## Number of Employees

At the end of year 2019 have the employees ( Not included the Top Managements ) as followings;

Responsibilities	Total of Employees
	2019
Production Line and QA	329
Myanmar labor	61
Support Line	152
Grand Total	542



## Good Corporate Governance

The Board recognizes the importance of corporate governance compliance, covering the following matters.

### Section 1 Shareholders' rights

#### 1. Shareholder Meeting

- 1) The company provides information regarding date time venue and meeting agenda in both Thai and English in advance through the company's website with clarifications and supporting reasons for each agenda or in support of requested resolution determined in an invitation letter to an ordinary session, as well as all attachments to meeting agenda and the Company assigns Thailand Securities Depository Co., Ltd (TSD) who the is the share registrar of the Company, to distribute the invitation letter for annual general meeting of shareholders and related documents to all shareholders at least 7 days prior to the meeting date. In case there are special agenda for the shareholders to help decide, the documents shall be mailed at the minimum of 14 days in advance, and the invitation letter shall be fully detailed including the following:
  - For the agenda about dividend yield approval, the document shall include the Company's dividend yield policy, the proposed dividend yield payment, and the payment rate, in case having revenue tax benefit of BOI
  - For the agenda about designation of board of directors, the document shall include their names, age, years of service, education, related training, work experience, the list of company they worked as board of directors, type of board, their share proportion in the Company, their meeting attendance in the past years, legal conflicts in the past 5 years, and remuneration of the proposed board of directors.
  - For the agenda about designation of auditors, the document shall include their names, the company they work for, license number, the number of years of servicing the Company, their independence and remuneration, all clearly written.
- 2) The company organizes shareholder meeting in Bangkok or nearby province on any of week days which are not during long holiday and make it available to register less for 90 minutes before the meeting. And the registration will be close until the last agenda of meeting. The meeting is always held in relatively convenient venue so shareholders can access by using public transportation. If any shareholder is inconvenient to attend the meeting, the company arranges to have a letter of power of attorney so that shareholder can determine his/her voting direction. one independent director or non executive director is assigned as an alternative for the shareholder's power of attorney.

## 2. Actions done on the day of shareholder meeting

- 1) The company arranges to have technology to be used in shareholder meeting by introducing barcode system to serve for registration process. For any shareholder forgets to bring barcode document to attend the meeting, the company will arrange registration staff to help by using identification number or full name of shareholder. In terms of vote counting for each agenda, for non-agreeable or no votes, they will be collected by using barcode system as well. As a result, the registration and vote counting will be operated with timeliness, correctness, and accuracy.



- 2) As for the Shareholder Ordinary Meeting in 2019 on April 8, 2019, the board included the total of 8 directors or 100% attending the meeting, as well as management including Chief Executive Officer, other Chief Officers, accounting and finance manager, several managers of the company, senior assistant manager of internal audit, licensed auditor, external legal consultant, and the company's legal staff attending the meeting on that day. There were opportunities opened for shareholder to raise inquiries related to meeting agenda. For other matters, the company opened sufficient opportunities for shareholders to raise their concerns. Details regarding questions and answers were recorded in the meeting report prepared by the company.



- 3) In shareholder meeting, the company organizes to have voting by item by preparing voting billets in separation for board appointment where there is an opportunity for shareholders to appoint each director individually, as well as to vote on board remuneration in separation to board appointment.
3. Preparation of meeting report and shareholder meeting's decision disclosure
  - 1) Before meeting commencement, the company explains methods of voting for each agenda which are recorded in shareholder meeting report, covering voting procedure, questions and answers, and voting outcomes for each agenda on the number of agreeable votes, non-agreeable votes, no votes and voided ballot. In addition, the name list of directors attending the meeting should also be recorded. Resolutions made in the shareholder meeting must be published on the following day through the Security Exchange of Thailand system in both Thai and English for shareholders' reference. The final report must also be published in the company's website.

## **Section 2 Equal Treatment to All Shareholders**

1. Information provided before the shareholder meeting
  - The company informs the AGM invitation , as well as agenda and opinions of the Board to SET and publishes the AGM invitation (Thai) through the company's website at least 30 days before meeting days and for English version publishes at least 7 days before meeting days . Such invitation letter must be done in both Thai and English.
2. Protection for minorities' rights
  - The company has criteria for minorities to propose any additional agenda prior to the meeting, as well as to propose a name for board appointment at least 1 months before shareholder meeting to represent its fairness and transparency.
  - As for board appointment agenda, the company opens an opportunity for shareholders to appoint each director individually.
3. Protection of the Use of Internal Information
  - The company determines the security and protection of internal information for the board, executives, and everyone in the company to comply with. The board, executives, and everyone in the company are prohibited from purchasing or selling any securities 1 month before it is being announced to the public, and all directors and executives are responsible to report on security holding by laws.
4. Board's Conflict of Interest
  - For the consideration of agenda related to any director, the Board should set a policy for all directors to clarify their conflict of interest at least before the consideration of such specific agenda and it should be recorded in the Board meeting report whereas such director should be suspended for participating in the consideration of such agenda.
5. Disclosure of related transactions required to be disclosed
  - The Company discloses details and reasons for making related transaction required to be disclosed in the annual report to the shareholders clearly. The annual report shall be examined by the Audit Committee whether they were made with reasonable causes or not.



### **Section 3 Roles of Stakeholders**

The company as focused on the rights of stakeholders in all segments. Whether internal stakeholders, including employees and executives of the company. Or external stakeholders such as creditors, competitors, etc. with details.

**Employees** : To treat employees with fairness and provide appropriate compensation.

**Creditors** : To follow the terms and conditions set forth in the contract.

**Customers** : To take care and responsibility with product quality and standards. Confidentiality of clients and a system for receiving complaints of customers to push for the settlement with fairness, and as soon as possible.

**Competition** : practices and rules within the industry or regulatory authorities required by treatment criteria of best practices in competition.

**Society** : a social responsibility by the business ethics like professionals and support activities to create social support and appropriate.

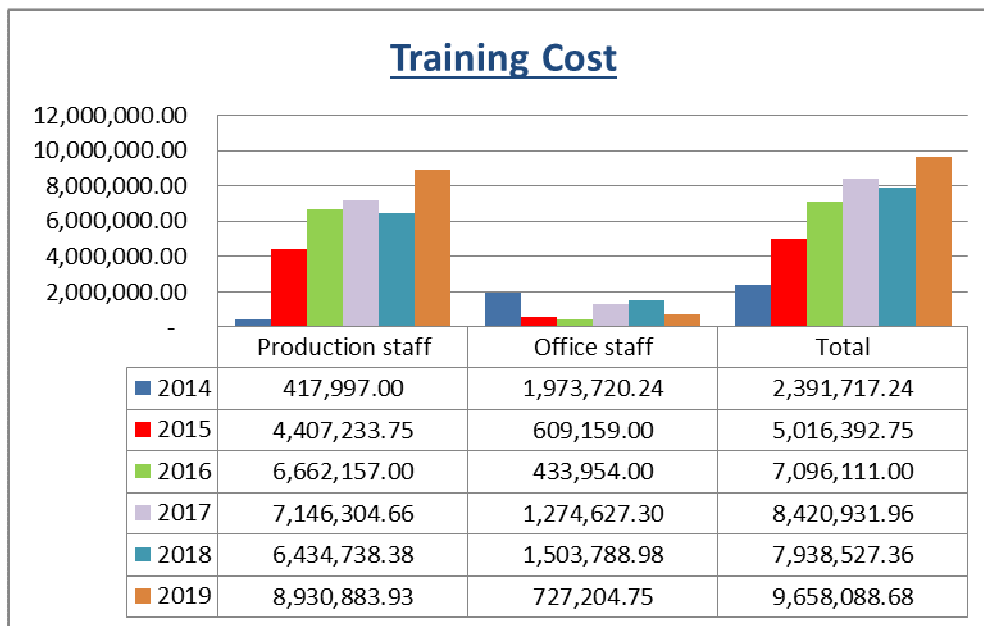
**The Company has established an action policy for the stakeholders as follows:**

- Ranging in **customer** care. The company set amount aside for work during the lifetime of the product after erection for a period of less two years, to give customers confidence in the quality of the product .
- The company have procedures and practices in the selection of **suppliers** or contractors which is defined as a written
- Operations are conducted in a systematic manner to ensure that our business is **environmentally , friendly and the community**. And in 2014 the company has applied for standard of ISO 14001 that already approved in early 2015, which ensures that the system of production do not harm the environment.



➤ To treat all employees fairly.

- Fair treatment to all employees and staff. Each year the company opens opportunities for all employees to develop their knowledge in several areas. In 2019, the budget Baht 9.66 million for trainings including production staff and office staff as details;



- The Company has the policy and action guideline on safety by providing the employees working in the factory with safety helmet, shoes, gloves, goggles, and other safety equipment. Regarding working environment, the Company built a sport ground, exerciser rooms, and support exercise budgets for the employees such as the sponsoring employee football team. Every year, the Company organized a sport activity so that the employees can join and develop friendship with one another.



Fitness Room



Sport Day

## Section 4 Information Disclosure and Transparency

The company realizes the importance of good business supervision to increase transparency and competitiveness, as well as to increase shareholder trust. All related parties have set a policy for supervising the business by covering these important principle.

- (1) Treating the shareholders and stakeholders equitably and fairly.
- (2) The board of directors is determined to create added value to the business in the long run, manage the business and risks with care and diligence, do its duties with responsibility and capabilities as well as efficiency to create maximum benefits for shareholders, to assure that no conflicts of interest will take place, and to be responsible for all the decisions and actions it has made.
- (3) All operations will be conducted in a transparent manner and ready for inspection, with adequate disclosure of information to all the related parties.
- (4) A code of ethics is determined for the directors and employees to abide by, as well as preparing a Compliance Manual for employees.

Furthermore, the company will act with strict accordance to the rules and regulations set by the Securities and Exchange Commission and the Stock Exchange of Thailand. After the common shares of the company have been listed in the Stock Exchange of Thailand, the company will disclose its report on business supervision activities in the annual report related to, as well as in the form containing annual information (Type 56-1).

### ➤ Report of the company board of directors

The company board of directors is responsible for the financial statement of the company. Such financial statement is made according to the accounting standards acceptable in the whole of Thailand and audited by the certified auditor approved by the Securities Exchange Commission and the Stock Exchange of Thailand. For this matter, the audit committee will recheck the quality of the financial report and the internal audit report as well as the disclosure of important data sufficiently in the remarks attached to the financial statement. The audit committee will present its opinions to the company board of directors and the meeting of the shareholders respectively.

➤ Relation with the investors

The company board of directors attaches utmost importance to the disclosure of accurate, complete, and transparent data to every investor. The company still attaches importance to the disclosure and provision of data to the share shareholders and general investors in accordance with the standards and criteria determined by the Securities Exchange Commission and the Stock Exchange of Thailand both by the data distribution channels and media of the Stock Exchange of Thailand and the company website ([www.mcssteel.com](http://www.mcssteel.com)) or

- 1) Send the e-mail to [info@mcssteel.co.th](mailto:info@mcssteel.co.th).
- 2) Contact the investor relations unit to provide the service on data of the company as 035-372961-6 Ext. 113, At present the company assigned Ms.Kanchalika Sangparinya to communicate with the shareholders, investors, analysts, and the general public.

In year 2019, the company gave the opportunities for College / Associate / University to visit the company as details ;

➤ On September 2,2019 , The clients from Taiwan.



➤ On September 12,2019 , The clients from Omiya Daimon Project



- On September 27,2019, The clients from China Group



- On November 4,2019, Factory tour by JFE
- On November 29,2019, The clients from China
- On December 17,2019 , Teachers and students from Thai-French Innovation Institute



## Section 5 The Board's Responsibilities

- The leadership and their vision

The company board of directors consists of knowledgeable, capable, and business-experienced directors who will act to guide and determine the policies, vision, strategy, objectives, business missions, business plans, as well as the company's budget. The role of directors will also supervise that the management implements their assignments efficiently and effectively with responsibility, integrity, and due care in accordance with the code of best practices within the framework of laws, corporate objectives and regulations, and the decisions of the meeting of the shareholders . Furthermore, the board of directors has also arranged for the company to have a system of internal control, internal auditing, evaluation, and continuous tight and effective management. In addition, follow-up measures for such issues will always be taken.

The board of directors will determine and differentiate different roles and responsibilities of the board of directors and management. The level of authority will be clearly specified, and the roles, duties, and responsibilities will be continuously conveyed to the directors and employees.

➤ Business Ethics

The company has produced the Compliance Manual focusing on the conduct of business and the implementation of official rules. The company ensures that this manual has been acknowledged in writing by the directors, executives, and employees as their code of conduct. The company will monitor the implementation of the said manual regularly and put in place disciplinary actions.

➤ Keeping the Balance by Non-Top Management Directors

On end of 2019 ,The company has the board of directors consisting of 8 persons with knowledge, expertise, and experience in various fields. Four persons are top managements and four are independent directors and three persons are also audit committee members and fully qualified according to the announcement of the Stock Exchange of Thailand on qualifications and scope of work of the audit committee to perform auditing and create checks and balance in the conduct of company activities in order to ensure fairness and maximum benefits for every shareholder.

➤ Merging or Separating the Positions

The chairman of board of directors and CEO is the same person (Dr.Naiyuan Chi) and he is holding approx 1% of the shares (as end of 2019) of all the paid up and has authorized in the company with the company seal affixed. However, the company now rely mainly on independent directors for company policy setting. No person having influence in setting up management policy today.

### Remuneration of the company directors and top managements

The company has the policy of making attractive remuneration to the directors and top managements at the appropriate level. The remuneration will be linked to the performance of the company and determining the remuneration of the directors and top managements clearly and transparently with the approval of the meeting of the shareholders and it commensurate to the duties and responsibilities of each director and top management in the form of monthly remuneration, meeting honorariums and/or monthly salary and bonus.

In 2019 the company paid remuneration of the company directors as followings;

- Director

In 2019 ,have 7 Board Director Meetings , one Annual General Meeting , 5 Audit Committee Meetings and 4 Nomination and Remuneration Committee Meetings.

Name	Position	Year	
		2018	2019
1. Dr.Naiyuan Chi	Chairman of Board Director	1,224,000	1,059,000
2. Mr.Pornchai Phisarnanukunkit	Director	1,050,000	840,000
3. Mr.Phairat Viwatborvornwong	Director	1,050,000	825,000
4. Gen.Titiwat Kamlang-Ek	Independent Director and Audit Committee	1,230,000	1,047,000
5. Mr.Tinakorn Seedasomboon	Independent Director and Audit Committee	1,215,000	960,000
6. Mr.Supoj Kaewmanee	Independent Director and Audit Committee	945,000	960,000
7. Mr.Somsakdi Suriyawongse	Independent Director	810,000	963,000
8. Ms.Wanna Pholkaew	Director	75,000	840,000

### Remark :

1. Gen.Titiwat Kamlang-Ek was appointed to the Chairman of Audit Committee on January 27,2018.
2. Mr.Supoj Kaewmanee was appointed to the Audit Committee on January 27,2018.
3. Mr.Somsakdi Suriyawongse was appointed to the Chairman of Nomination and Remuneration Committee on February 26,2018.
4. Ms.Wanna Pholkaew was appointed to the director on November 12,2018.

- Top Managements

Remuneration	Year 2019	
	Number	Total (Baht)
Salary and bonus	6	36,602,646.33
Provident Fund and Others	6	1,566,243.00

➤ The meeting of the board of directors

The company board of directors have regular meetings at least 4 times a year. For each meeting, the top managements team will prepare the information and details to facilitate consideration of the board. During the meeting, the board chairman will give ample time for the directors to consider the agenda items thoroughly and express their opinions fully. The meeting is verbally recorded and the approved records of the meeting are properly kept for inspection by the persons concerned. In 2019 the board of director held 7 meetings.

➤ The sub-committee

The company has the audit committee and the nomination and remuneration committee in addition to the company board of directors to increase efficiency and flexibility in the operation and in 2019 have 5 meetings for Audit Committee and 4 meetings for Nomination and Remuneration Committee.

➤ The system of supervision and internal control

The company has established an internal audit working unit. It is an independent unit with a direct reporting line to the audit committee on internal audits and reports to the administrative chair on administrative work of the unit. The internal audit unit has the duty to evaluate the efficiency and effectiveness of the systems for internal control, risk evaluation and supervision of activities. It also has the function of an advisor, which supports the company so that it can achieve its objectives and business aims. The annual internal audit plans of the unit are approved by the audit committee. They use audit regulations which follow risk assessments or a risk based audit approach and key control points and emphasize protective control. Furthermore, there are risk assessments on corruption following a policy on whistleblowing, investigation and protection (a fraud whistleblowing protection policy).



➤ Internal Audit

The unit has the following roles and responsibilities:

1. In the role of an advisor, it organizes internal control evaluations through self-evaluation with the support of being an advisor, practical training of groups (CSA Facilitator) and the application of efficient tools in the evaluation. This will help to support the employees' development for good control and efficient working systems. Furthermore, internal control evaluation audits are supported through self-evaluation (CSA Validation). This is to make sure that for each step of the operations internal control has been used with appropriate self-evaluation. This serves to support the company in realizing strategies and aims it has set.

The internal audit unit undergoes quality assessment for work performance through itself annually and evaluations through independent, external organizations every 5 years.

2. It implements its duties to support the work of the audit committee as entrusted by the company board for successful achievements and is an advisor, which gives recommendations on various matters, for example on internal control as in the guidelines for internal control systems COSO 2013, on risk management, on business ethics and on information system safety.

3. It holds firmly to the structural frame of professional operations for internal audits according to international standards and the working unit charter and it revises the audit working manual annually in order to be sure that the quality of the work corresponds to international standards. This will support the company to have good systems for internal control, risk management and supervision as well as to create more value for stakeholders and develop the sustainability of the organization.

4. It supports the work of internal auditors so that they can conduct audits on all areas (integrated audits), for example on business systems, on information systems and on systems of engineering to emphasize the development of internal audit staff for professionalism and it supports the receipt of the IACP (Internal Audit Certificate Program), CPIAT (Certified Professional Internal Audit of Thailand), CIA (Certified Internal Auditor) and CFE (Certified Fraud Examiners).

In 2019, the Internal Audit Department performed the following actions:

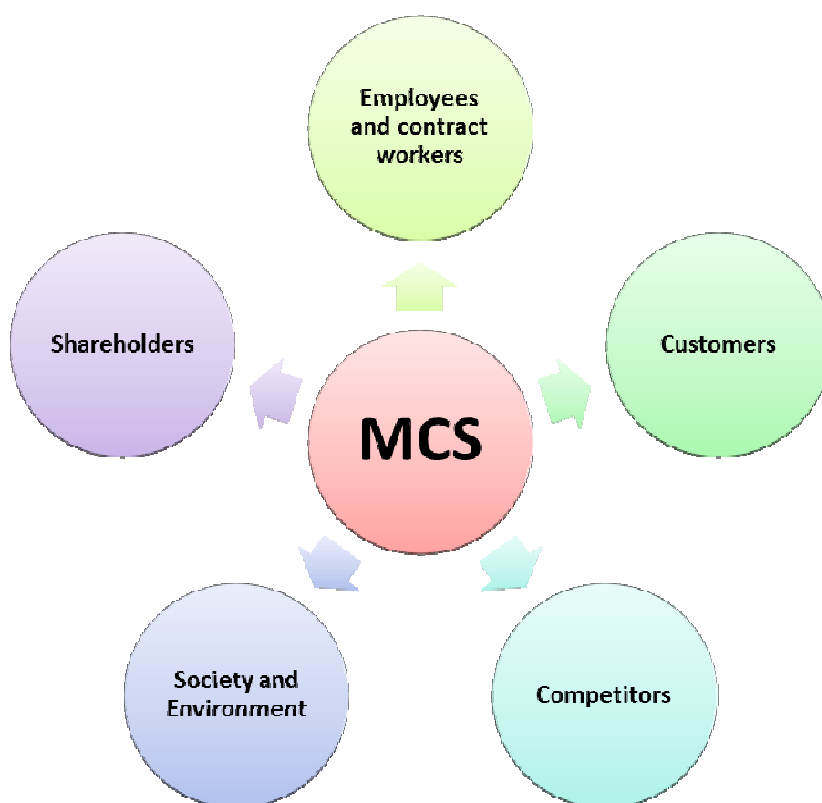
- 1) Determined the Company's Audit Universe.
- 2) Determined the types of risks of different operational systems and scope of risk management.
- 3) Audited the following systems :
  - Management of Finish Goods
  - Management of Purchasing (Raw materials)
  - Management of Purchasing
  - Management of Contracting and Service

## Corporate Social Responsibility

M.C.S. Steel Public Company Limited was listed on the Stock Exchange of Thailand since July 2005. The Company is committed to promote our business growth along with setting up practices for social responsibility activities. Our CSR related activities in 2016 are as follows.

### Fair operations

The Company operates the business with fairness for the optimum benefits of all stakeholders, both internal and external ones.



- 1) **Employees and contract workers** The Company's employees and contract workers are compensated with proper remuneration based on their quantity and quality of work. Annual bonus payment is also awarded, varied by the Company's performance, an employee's working period and performance.

- 2) **Customers** Prior to delivery, the Company lets customers inspect products every time to guarantee an agreed level of quality. All products have a 2-year warrantee after delivery to ensure the highest quality.
- 3) **Competitors** The Company has no unfair quotation policy in all forms. We never take advantage over competitors.
- 4) **Society and Environment** The Company takes into account impact on local communities and sets up a strict environmental management system. There have been so far no complaints from the communities or any related person regarding environmental impact arising from our operation.
- 5) **Shareholders** Our policy is to pay shareholders dividend for no less than 50 percent of our net profits. As for the Company's performance in 2019, we have approved to propose a dividend payment of 0.65 Baht per share which included interim dividend on December 4, 2019 as 0.25 Baht per share, and 0.40 Baht per share will prefer to approve at the Shareholder Meeting of 2020. Details as below ;

	Operation Result	Payment Date	BOI	NON BOI	Total
			Baht : Share	Baht : Share	Baht : Share
Interim dividend	9 Months (Jan-Sep, 2019)	Dec 4, 2019	0.22	0.03	0.25
Dividend No. 2	3 Months (Oct-Dec, 2019)	Apr 29, 2020	0.30	0.10	0.40
<b>Total</b>			<b>0.52</b>	<b>0.13</b>	<b>0.65</b>

### Respecting human rights and fair treatment of labor

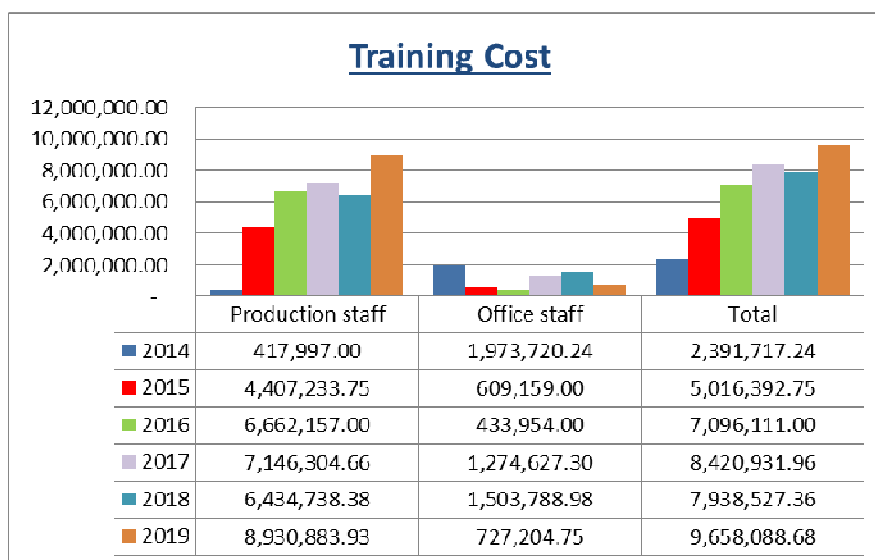
The Company focuses on respecting human rights as follows.

- 1) No violating fundamental rights regarding race, religion, gender, age, and disability of the employees. At end of 2019, the Company employs 69 people. As of December 31, 2019, the Company employs foreign workers as follows.

Nationality	Person
Myanmar	61
Japanese	3
Chinese	2
Cambodia	2
Malaysia	1
<b>Total</b>	<b>69</b>

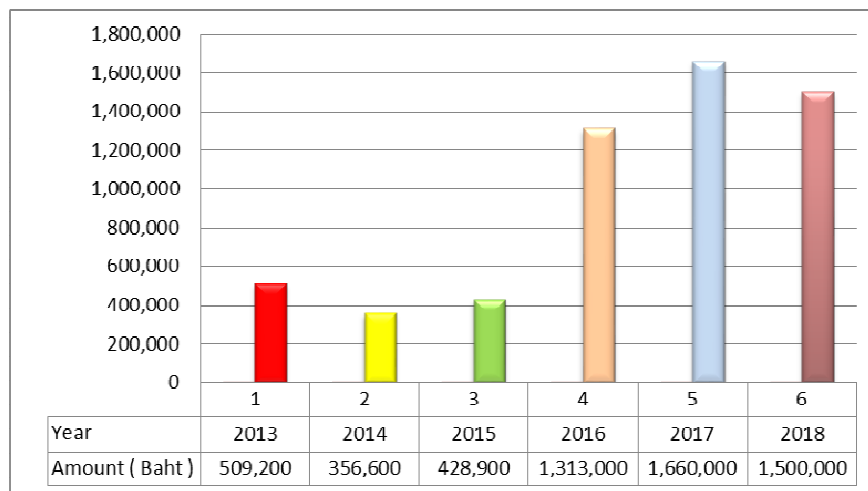
The Company recognizes human rights of all races, including those of employees with disabilities who receive equal benefits. By the end of 2019, the Company has employed 6 disabled employees, who are provided with the same level of compensation as that of regular employees. All employees receive equal working benefits.

- 2) The Company provides fair treatment of employees, compensating them with proper remuneration based on their quantity and quality of work. Employees from both production and administration departments are allowed to choose their required remuneration. The Company has improved work environment for employees' better quality of life. Work rotation and a request for promotion are allowed. We also provide various trainings to develop employee's working skills regularly.
- 3) The Company continues to support employees' education. Our main policy is that all employees must be trained to enhance their knowledge on an annual basis, which is consistent with the Company's motto - *"Better than yesterday, everyday"*. In 2019, we held more than 30 training course, which is the total budget was Baht 9.66 million.



The Company pays attention not only to the employees, but also to education of their children. We have granted scholarships since 2013 but for the year of 2019 the budget will pay on 2020 because the rule was changes.

And the during these past 6 years. The company have supported to education of employees 's children, The details are as follows.



4) Organize an election of a welfare committee from all employees in the Company. The committee term lasts two years. The current committee will serve until June 30, 2018. The welfare committee is responsible for accepting complaints about unfair treatment in the workplace, along with establishing a welfare fund of the Company to encourage employees' savings. It was established since 2001; there are 463 members as of December 31, 2019.

5) Provide benefits to employees in all aspects as follows.

- Accommodation - Provide the dormitories for employees and their families. Currently there are 299 employees and their families are 263 person which the total are 562 person have lived at the dormitories. And since 2015 ,Tanaka Welding Center Co., Ltd., a company subsidiary, has built the houses for sale at low prices as employee welfare. In its first phase, which started in 2015, 41 houses were sold and completely moved into by employees in 2016. In 2016 ,the phase II the construction of 56 houses has started and all employees moved in since May 2018.



**The dormitories**



**M.C.S. Village**

- Health - The Company recognizes the importance of employees' health. All employees will receive checkups before they start working. The Company also provides an annual health checkup; which was held together with influenza vaccination provision on June 6, 2019. We arrange insurance for employees in case of accidents or illness. In addition, all employees are provided with medical welfare.
- Provident fund - it is provided to encourage employees' savings during retirement or leave. The Company provident fund has been managed by TMB Asset Management Co., Ltd. since 2005. The Company adds some money to its employees' saving - currently the Company adds start at 3% to 13% of employee's salary. The maximum adds for employees who have worked at company more than 10 years.

- Safety - the Company recognizes the importance of employees' safety by providing fundamental safety equipment in our plants such as caps, safety shoes, and glasses. The Company provides a life insurance to all employees from the first day of work to cover accidents both during and outside of working period.

### Responsibility to consumers (customers)

- 1) The Company inspects every piece of product before delivery to customers to ensure product quality. In 2019, customer representatives have inspected the quality of products for 8 Projects as 121 times. The surveys customers' satisfaction last 5 years are as following ;

Year	Inspection (times)	% of average Customers' satisfaction
2015	40	87.38
2016	121	87.38
2017	121	89.08
2018	54	94.60
2019	121	97.14



## Environmental management, occupational health and safety

- 1) The Company ensures compliance of occupational health and safety standard. We have been certified with OHSAS 18001 since 2008 until now. In 2015, we have been certified with ISO 14001. The Company recognizes the importance of environmental management by organizing environmental quality inspection twice a year. It covers all areas of the company and finds that drinking water quality / sewage, working area heat level, average risk level, and intensity of light in working area during day and night meet environmental standards. These results ensures that the Company business is safe for the environment.



- 2) There is a specific unit in the Company that controls and pushes forward implementation of occupational health and safety. The Company appointed occupational health and safety committee (OSC) refer to HU 170/62 (The period from December 17,2019 to December 17,2021). The committee consists of 13 members in a working group who have been trained as required by law. The working group holds a meeting at least once a month to consider policies and plans for workplace safety, as well as promoting and supporting safety activities among employees, contractors, and outsiders who operate in our workplace.
- 3) The Company operates a Health Risk Assessment or HRA annually among employees who have worked for more than one year. In 2019, the Company held an annual checkup on June 6,2019, to assess a health risk level of employees. This is to ensure that employees receive a health checkup according to their risk factors, such as assessing lead in blood, lung conditions, hearing competency, as well as detecting inhalants in urine, and manganese.





## Community and social development participation

The Company recognizes the importance of energy management system and its effect to community. Hence, in 2018, we announced a concrete energy conservation policy to encourage effective participation of employees and workers in the following projects.

### 1) Projects on concrete energy conservation

- As the Company is aware of the importance of energy conservation, it has appointed an energy working team to ensure effectiveness of the Company's energy conservation according to Announcement No. HU 082/61 on August 13, 2018. The working team will be responsible for the effectiveness and efficiency of the Company's energy conservation plan.

### 2) Solar Project

- The project started in September 2014 with a budget around Baht 1.95 million to save energy and environment. Based on measurements of solar power usage in 2019, it replaced usage of normal electricity for 7,536.80 kWh.



### 3) White Factory

- The Company has joined the White Factory project with the Ministry of since 2012 to prevent employees from abusing drugs and encourage more physical activities. We have provided exercise facilities for employees for their leisure and healthy lifestyle.



### 4) Other activities such as

- Support of Children's Day in the community. The Company donated money to Rachakram municipality, Bang Sai district, Ayutthaya to support activities and food on Children's Day.

### Non-stop development for sustainable corporate

The Company recognizes importance of continuous development in business and human resources, which reflects our motto:

## "Better than yesterday, everyday"

The Board of Directors, executives and all employees are committed to follow this concept consistently and develop sustainable business growth. Both internal and external stakeholders can be assured of mutual benefits in the short run and long run.

## Related Party Transactions

The significant transactions between the Company and its related companies reflected in the accompanying financial statements for the years ended December 31, 2019 are as follows :-

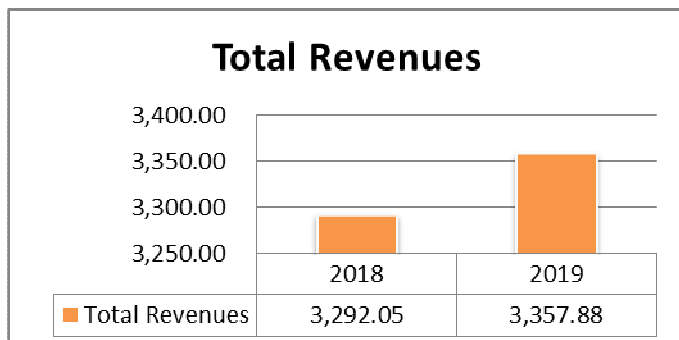
Unit : Thousand Baht

Party	Type	Type of Transaction	Summarize in 2019	Reason/ Reasonableness
<b>M.C.S. – JAPAN Co., Ltd.</b>		Subsidiary company Holding 98.00 %		
	<b><u>Expense</u></b>	Serviced and repaired the product in Japan	52,136	An ordinary and normal business transaction
		Provided Loan	142,342	To decrease interest for subsidiary company from Bank
	<b><u>Income</u></b>	Provide financial assistance (Interest)	6,035	To support financial for subsidiary company and interest rate as same as fixed deposit account
<b>M.C.S. Steel-Xiamen Co., Ltd.</b>		Subsidiary company Holding 74.00 %		
	<b><u>Expense</u></b>	Paid for production work expenses and Drawing expenses	250,268	An ordinary and normal business transaction
<b>Ms.Chalisa Chi</b>		Related person with Chief Executive Office		
	<b><u>Expense</u></b>	Rent the Guest house	75	To short term property rental for supporting customer

# Management Explanation and Analysis

## 1. Overview

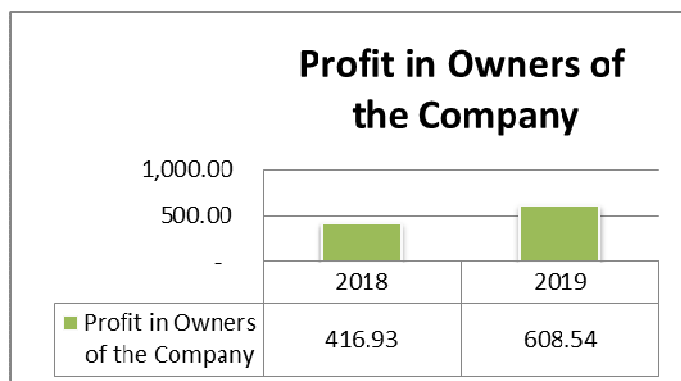
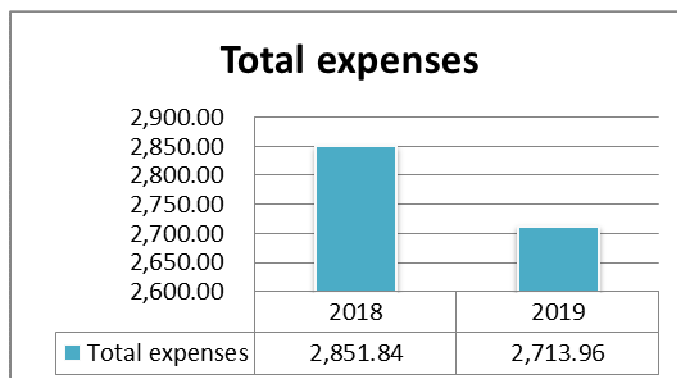
In Year 2019, the company's total revenues were Baht 3,357.88 million which of the revenue from export to Japan and domestic work, The total expenses were Baht 2,713.96 million and the company's Profit in the owners of the company was Baht 608.54 million.



Increased 2.00%



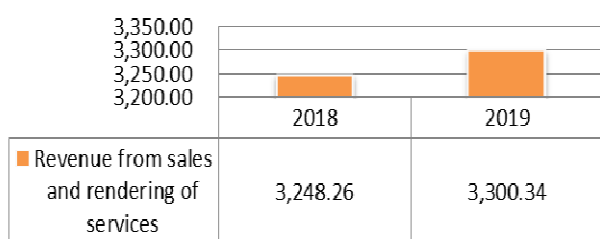
Decreased 4.83%



Increased 45.96%

## 2. Overall operation of Year 2019

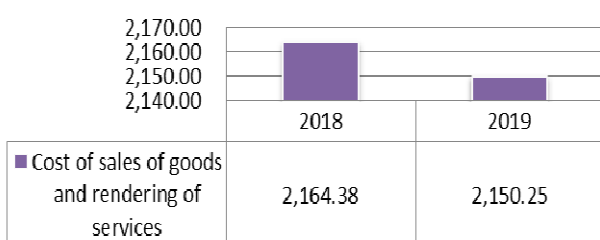
### Revenue from sales and rendering of services



### Revenue from sales and rendering of services

Revenue from sales and rendering of services were Baht 3,300.34 million in 2019, increased of Baht 52.08 million from 2018, or 1.60% which included revenue from export to Japan around Baht 2,621.43 million and domestic works around Baht 678.91 million.

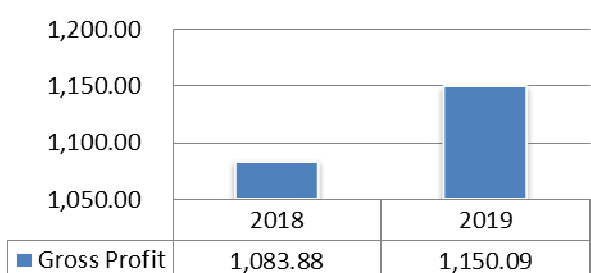
### Cost of sales of goods and rendering of services



### Cost of sales of goods and rendering of service

Cost of sales of goods and rendering of service were Baht 2,150.25 million in 2019, decreased of Baht 14.13 million from 2018, or 0.65%.

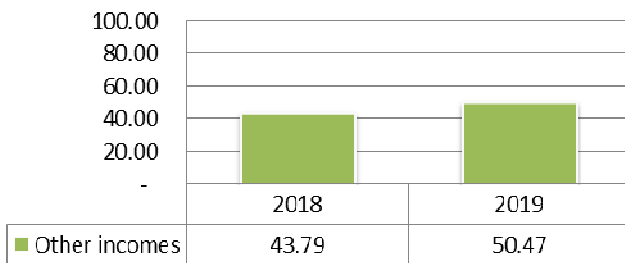
### Gross Profit



### The company's gross profit

In Year 2019 ,The company's gross profit were Baht 1,150.09 million that increased from 2018 which the company's gross profit were Baht 1,083.88 million ,and in 2019 ,the percentage of company's gross profit were 34.85% increased from 2018 that percentage of company's gross profit as 33.37% due to type of project in 2019, which is higher Gross margin than 2018.

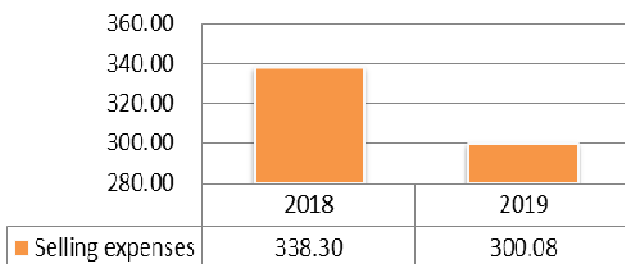
### Other incomes



### Other incomes

In Year 2019 ,The Company's other income was Baht 50.47 million, increased of Baht 6.69 million from 2018.

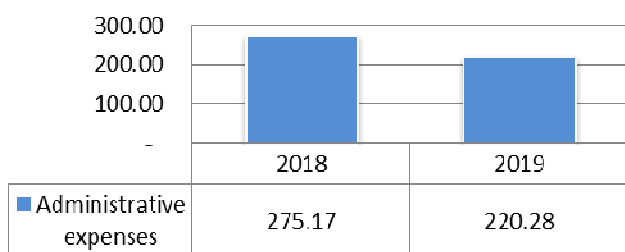
### Selling expenses



### Selling Expenses

In Year 2019 ,The Company's selling expenses were Baht 300.08 million, decreased of Baht 38.22 million from 2018.

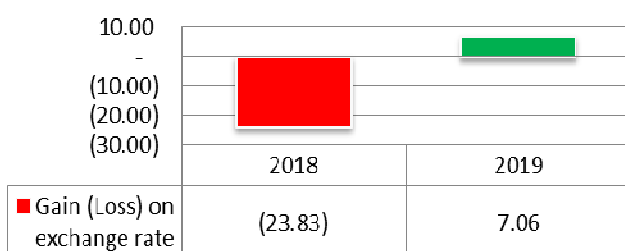
### Administrative expenses



### Administrative Expenses

In Year 2019, The Company's administrative expenses were Baht 220.28 million, decreased of Baht 54.89 million from 2018. Due to in 2018 company has booked an allowance for doubtful accounts of trade which more than 1 year but in 2019 has not recorded for addition.

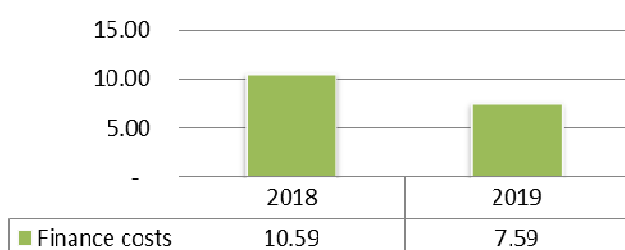
### Gain (Loss) on exchange rate



### Gain (Loss) on exchange rate

In Year 2019, The gain on exchange rate was Baht 7.06 million but in 2018 ,Loss on exchange rate was Baht 23.83 million.

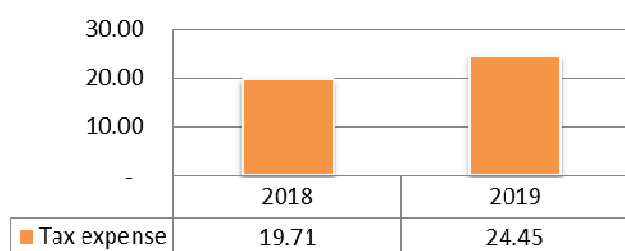
### Finance costs



### Finance cost

In Year 2019 ,The Company's finance cost was Baht 7.59 million, decreased of Baht 3.01 million from 2018.

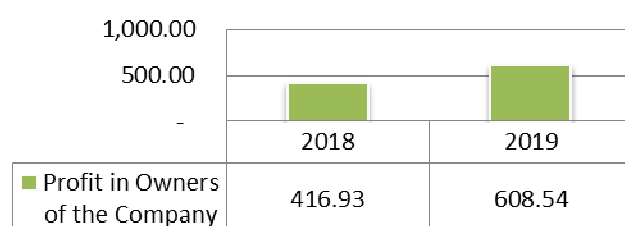
### Tax expense



### Tax expense

In Year 2019 ,The Company's tax expense was Baht 24.45 million, increased of Baht 4.75 million or 24.09% from 2018 due to profit from subsidiary company (M.C.S. Steel-Xiamen)

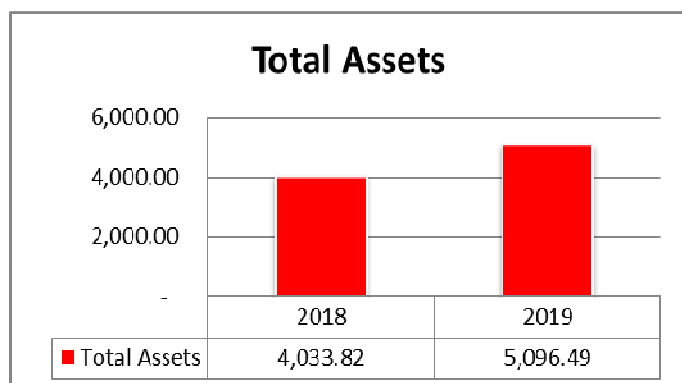
### Profit in Owners of the Company



### The company's Profit in the owners of the company.

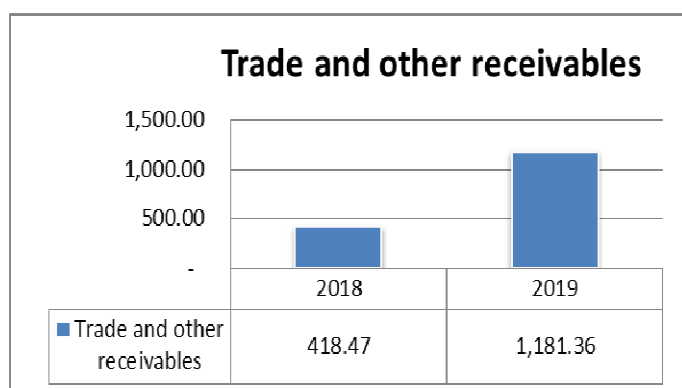
In Year 2019 ,The company's profit in the owners of the company was Baht 608.54 million , increased of Baht 191.61 million.

## 2. Financial Statement



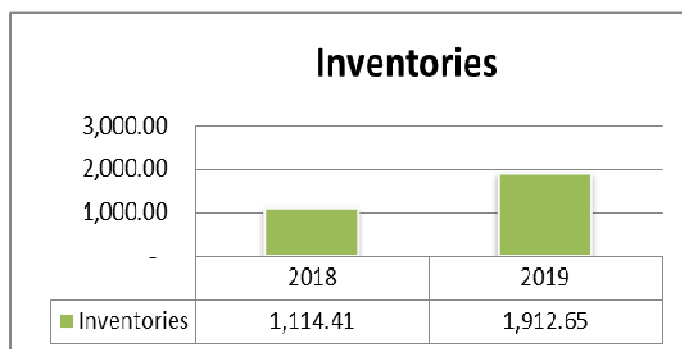
### Total Assets

At December 31 of 2019, The company's total assets were Baht 5,096.49 million, increased of Baht 1,062.68 million or 26.34% from same period of 2018.



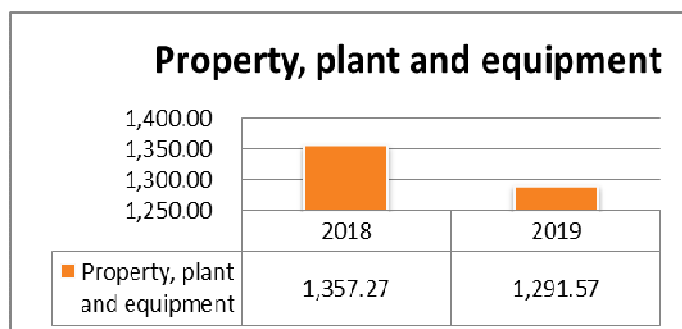
### Trade accounts receivable and retention receivables

At December 31 of 2019, The Company's trade accounts receivable and retention receivables were Baht 1,181.36 million, increased of Baht 762.88 million or 182.30% from same period of 2018.



### Inventories

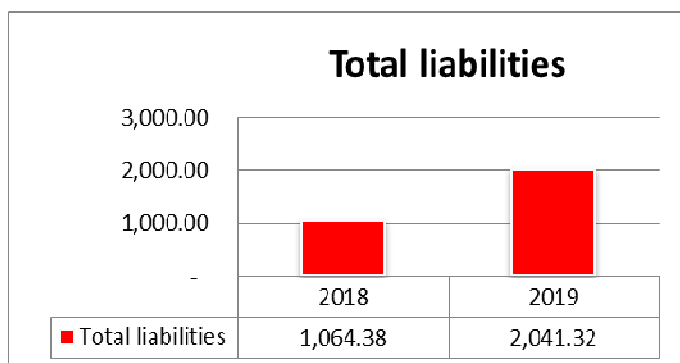
At December 31 of 2019, The Company's inventories were Baht 1,912.65 million, increased of Baht 798.24 million or 71.63% from same period of 2018.



### Property, plant and equipment

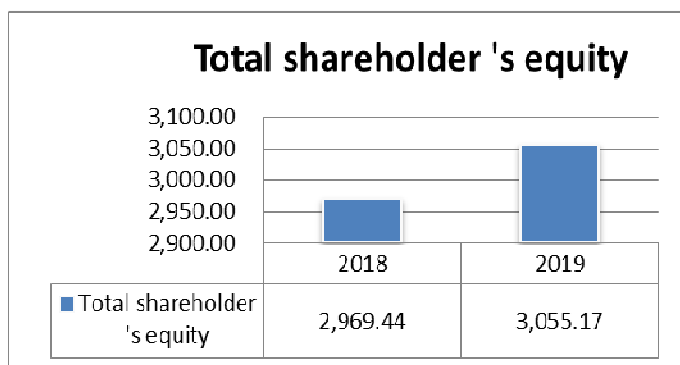
At December 31 of 2019, The Company's property, plant and equipment were Baht 1,291.57 million, decreased of Baht 65.70 million or 4.84% from same period of 2018 due to depreciation and the changing for exchange rate.





### Total liabilities

At December 31 of 2019, The company's total liabilities were Baht 2,041.32 million, increased of Baht 976.95 million or 91.79% from same period of 2018.



### Equity

At December 31 of 2019, The shareholder 's equity was Baht 3,055.17 million, increased of Baht 85.73 million or 2.89% from same period of 2018 which included company profit in this year and deducted with dividend payment.

## Remuneration for Auditor

Value : Baht

Details	2018	2019
<b>Budget Approved from Share holder</b>	4,000,000	4,200,000
<b>1. <u>Audit Fee</u></b>		
<b>The Company's auditor</b>	-	-
<b>The audit firm</b>	3,610,000	3,790,000
<b>2. <u>Non-audit fee</u></b>	368,867	404,551
<b>3. Total</b>	<b>3,978,867</b>	<b>4,194,551</b>

## Report of the Audit Committee

To All shareholders and stakeholders

The Audit Committee of M.C.S. Steel Co, Ltd. (Public) consists of 3 company committee which is independent committee. The qualification of Audit Committee is in accordance with the criteria regulated in the Notification of SET Commission. The Audit Committee consists of ;

1. Gen.Titiwat	Kamlang-Ek	Chairman of Audit Committee
2. Mr. Tinakorn	Seedasomboon	Audit Committee
3. Mr.Supoj	Kaewmanee	Audit Committee

In 2019, the Audit Committee had arranged 5 conferences. The duties and responsibilities can be summarized as follows:

1. To verify the accuracy and reliability of quarterly financial statements for 2016 which have been prepared in accordance with generally accepted accounting principles with adequate revelation of financial data and are in conformity with the requirement and the Notice of the Securities and Exchange Commission and the Stock Exchange of Thailand.
2. On the aspect of supervision of the Company's operation according to the principle of good supervision, the Audit Committee, after consideration, has the opinion that the supervision of the business is in accordance with the standard and the requirements of the Stock Exchange of Thailand, the law concerning Securities and the Stock Exchange of Thailand, as well as laws related with the business of the Company.
3. To consider verification of risk assessment by following up to encourage the practices, to monitor the compliance, and to prevent the risk from occurrence, both from advice given by the auditors, and from work management of the Company in the situation of change in economy, sociality, both inside and outside of the country.
4. To consider verification of suitability of internal control system by submitting its advice for improvement of the internal control system to be effective with liquidity towards the Management to cope up with economic situation of the present world.
5. Regarding the supervision of the internal audit, the verification has been conducted on the audit plan for the year, work performance, report of audit result. The internal audit is suitable to cover the risk factors, and create efficiency of work management.
6. Assessment of work performance on the aspect of accounting audit, the Audit Committee has an opinion to submit it to the Board of Directors for approval of the Shareholders' Meeting to appoint , Mr.Banthit Tangpakorn (Registration number 8509) or Mr.Thanit Osathalert (Registration number 5155) or Mr.Ekkasit Chuthamsatid (Registration number 4195), all of Auditors from KPMG Phoomchai Audit Ltd. as the auditor of the company for 2020. The auditor fees will pay not to exceed 4,500,000 Baht

## Report of the Audit Committee ( Cont.)

Other than that, the Audit Committee performed their duties freely, having freedom to express their ideas, and advices to Management for the benefit of the Company, with good cooperation from all parties, for which I must thank you all on this occasion.

Yours Sincerely,



( Gen. Titiwat Kamlang-Ek )  
Chairman of Audit Committee  
March 5,2020

## Report of Auditor

To The Shareholders and Board of Directors of  
M.C.S. Steel Public Company Limited

### Opinion

I have audited the consolidated financial statements of M.C.S. Steel Public Company Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and I have audited the separate financial statements of M.C.S. Steel Public Company Limited (the Company), which comprise the statement of financial position as at December 31, 2019, and the statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of M.C.S. Steel Public Company Limited and its subsidiaries as at December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended and the separate financial position of M.C.S. Steel Public Company Limited as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

### Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Company in accordance with the Federation of Accounting Professions' Code of Ethics for Professional Accountants 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.

## **Report of Auditor ( Cont.)**

### **Key Audit Matters**

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

### **Provisions from goods warranty**

The Company has a provisions from goods warranty as at December 31, 2019 amounting to Baht 75.78 million (consolidated financial statement) and Baht 74.94 million (separate financial statements) in Note 19 in the notes to the financial statements.

The Company has a contractual obligation to be responsible for all expenses when the job does not follow the customer requirements, damaged work piece, not delivered as planned, etc. The term of products warranty is about two years after the date of completing installation by the customer. The period of warranty coverage is uncertain since it depends on the project of the customer and the amount of jobs that does not meet the criteria under the agreement. Moreover, the provisions require considerable judgment from the management and are difficult in setting the timing and amount of provisions to be paid in the future. The warranty provisions contain amount that is significant to the financial statements.

### **Risk response by auditor**

Regarding my audit approach on such matter, I used the inquiry approach and obtain an understanding with the management in estimating and reviewing the provisions to assess the appropriateness of actual expense statistics information that occurred in the past which is used as a basis to compare with the rate used in calculating the provisions from goods warranty. I tested the detailed calculation of estimation movement and verified the evidence of actual payment of each job, and I considered the adequacy of the information disclosures in accordance with Thai Financial Reporting Standards.

### **Allowance for doubtful debts**

As described in Note 7 in the notes to the financial statements, as at December 31, 2019, the subsidiary in China has trade accounts receivable and other receivable with net book value of Yuan 35.68 million (equivalent to Baht 151.86 million), that comprised a balance of trade accounts receivable and other receivable outstanding more than 1 year in the amount of Yuan 31.62 million (equivalent to Baht 134.55 million). The management of the subsidiary considers recording the allowance for doubtful debts only for the group with litigation and group aging more than 1 year. The record of the allowance for doubtful debts requires the use of significant judgment from the management and the amount of the allowance for doubtful debts of the subsidiary in China is significant to the consolidated financial statements.

## **Report of Auditor ( Cont.)**

### **Risk response by the auditor**

Regarding my audit approach on such matter, I reviewed the working paper prepared by the auditor of the subsidiary in China in relation to the audit of trade accounts receivable and other receivable. These include reviewing the accounts receivable aging, auditing the litigation document evidence of accounts receivable, and subsequent cash from payment received after the end of the accounting period. Apart from the review, I inquired the auditor, management and accounting officer of the subsidiary to obtain an understanding of the event and nature of trade accounts receivable and other outstanding receivable and inquired the appropriateness of recording the partial allowance for doubtful debts of trade accounts receivable and other outstanding receivable more than 1 year. And I considered the appropriateness of the allowance for doubtful debts and the adequacy of the information disclosures in accordance with Thai Financial Reporting Standards.

### **Other Information**

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

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

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

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

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

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

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

## Report of Auditor ( Cont.)

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

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

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

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

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



## Report of Auditor ( Cont.)

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

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

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

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

The engagement partner responsible for the audit resulting in this independent auditor's report is Miss Wannisa Ngambuathong.



(Miss Wannisa Ngambuathong)  
Certified Public Accountant  
Registration No. 6838

Dharmniti Auditing Company Limited  
Bangkok, Thailand  
February 24, 2020

**AS AT DECEMBER 31, 2019**

## In Baht

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**M.C.S. STEEL PUBLIC COMPANY LIMITED AND SUBSIDIARIES**

**STATEMENT OF FINANCIAL POSITION (CONT.)**

**AS AT DECEMBER 31, 2019**

**LIABILITIES**

		In Baht			
		Consolidated		Separate	
		financial statements		financial statements	
		As at December 31,		As at December 31,	
Notes		2019	2018	2019	2018
<b>CURRENT LIABILITIES</b>					
	16	-	160,845,900	-	-
	5, 17	1,900,788,635	713,491,493	1,805,556,076	621,261,294
		914,190	1,037,723	556,123	-
		77,590	149,890	-	96,437
		1,901,780,415	875,525,006	1,806,112,199	621,357,731
<b>NON-CURRENT LIABILITIES</b>					
		2,313,799	176,843	1,984,830	-
	15	37,673,589	46,307,916	-	-
	18	23,775,451	18,860,393	23,775,451	18,860,393
	19	75,781,200	122,678,542	74,942,436	121,744,784
		-	830,000	-	830,000
		139,544,039	188,853,694	100,702,717	141,435,177
<b>TOTAL LIABILITIES</b>		2,041,324,454	1,064,378,700	1,906,814,916	762,792,908

**M.C.S. STEEL PUBLIC COMPANY LIMITED AND SUBSIDIARIES**

**STATEMENT OF FINANCIAL POSITION (CONT.)**

**AS AT DECEMBER 31, 2019**

**SHAREHOLDERS' EQUITY**

		In Baht			
		Consolidated		Separate	
		financial statements		financial statements	
		As at December 31,		As at December 31,	
Notes		2019	2018	2019	2018
<b>SHAREHOLDERS' EQUITY</b>					
<b>SHARE CAPITAL</b>					
Authorised share capital					
500 million ordinary shares of					
Baht 1 each					
		500,000,000	500,000,000	500,000,000	500,000,000
Issued and paid-up share capital					
500 million ordinary shares of					
Baht 1 each, fully paid					
		500,000,000	500,000,000	500,000,000	500,000,000
PREMIUM ON ORDINARY SHARES	21	140,000,000	140,000,000	140,000,000	140,000,000
PREMIUM (DISCOUNT) ON TREASURY SHARES	20	(153,609,677)	(153,609,677)	(153,609,677)	(153,609,677)
<b>DIFFERENCE FROM CHANGE IN SHAREHOLDING</b>					
PROPORTION IN SUBSIDIARY					
		(15,250,061)	(15,250,061)	-	-
<b>RETAINED EARNINGS</b>					
Appropriated					
Legal reserve					
	23	50,000,000	50,000,000	50,000,000	50,000,000
Treasury share reserve					
	21	295,812,458	295,812,458	295,812,458	295,812,458
Unappropriated					
		3,393,192,004	3,141,151,000	3,461,995,902	3,218,000,372
OTHER COMPONENTS OF SHAREHOLDERS' EQUITY		(925,756,087)	(748,510,526)	(963,614,736)	(749,459,142)
Less Treasury shares	21	(295,812,458)	(295,812,458)	(295,812,458)	(295,812,458)
NON-CONTROLLING INTERESTS	12	66,592,058	55,657,828	-	-
TOTAL SHAREHOLDERS' EQUITY		3,055,168,237	2,969,438,564	3,034,771,489	3,004,931,553
<b>TOTAL LIABILITIES AND</b>					
<b>SHAREHOLDERS' EQUITY</b>					
		5,096,492,691	4,033,817,264	4,941,586,405	3,767,724,461

**M.C.S. STEEL PUBLIC COMPANY LIMITED AND SUBSIDIARIES**

**STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED DECEMBER 31, 2019**

		In Baht			
		Consolidated		Separate	
		financial statements		financial statements	
Notes		2019	2018	2019	2018
<b>REVENUES</b>					
	Revenue from sales and rendering of services	3,300,344,074	3,248,260,612	3,169,964,572	3,132,480,474
	Other incomes	50,472,075	43,785,801	51,504,159	40,777,824
	Gain on exchange rate	7,063,214	-	2,184,572	-
	Total revenues	3,357,879,363	3,292,046,413	3,223,653,303	3,173,258,298
<b>EXPENSES</b>					
	Cost of sales of goods and rendering of services	2,150,249,543	2,164,382,025	2,109,844,657	2,142,900,773
	Selling expenses	300,079,496	338,297,663	300,079,496	338,353,742
	Administrative expenses	220,279,040	275,169,804	154,456,497	158,842,327
	Loss on exchange rate	24	-	23,831,651	-
	Management benefit expenses	35,756,641	39,560,536	26,488,534	30,799,217
	Finance costs	7,587,783	10,594,471	5,241,543	4,013,259
	Total expenses	2,713,952,503	2,851,836,150	2,596,110,727	2,698,926,210
	Profit before income tax revenue (expense)	643,926,860	440,210,263	627,542,576	474,332,088
	Income tax revenue (expense)	15	(24,453,408)	(19,706,640)	(27,048,828)
	<b>PROFIT FOR THE YEAR</b>	619,473,452	420,503,623	600,493,748	451,120,972

**M.C.S. STEEL PUBLIC COMPANY LIMITED AND SUBSIDIARIES**

**STATEMENT OF COMPREHENSIVE INCOME (CONT.)**

**FOR THE YEAR ENDED DECEMBER 31, 2019**

		In Baht			
		Consolidated		Separate	
		financial statements		financial statements	
Notes		2019	2018	2019	2018
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>					
	Item that may be reclassified subsequently to profit or loss				
	Exchange differences on translating				
	financial statements	(177,245,561)	(55,400,820)	(214,155,594)	(21,844,783)
	Item that will not be reclassified subsequently to profit or loss				
	Actuarial gains for employee benefit plan	1,542,728	-	1,542,728	-
	Income tax relating to other comprehensive income	(308,546)	-	(308,546)	-
	<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>(176,011,379)</b>	<b>(55,400,820)</b>	<b>(212,921,412)</b>	<b>(21,844,783)</b>
	<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>443,462,073</b>	<b>365,102,803</b>	<b>387,572,336</b>	<b>429,276,189</b>
<b>PROFIT (LOSS) ATTRIBUTABLE TO:</b>					
	Owners of the Company	608,539,222	416,931,738	600,493,748	451,120,972
	Non-controlling interests	10,934,230	3,571,885	-	-
		<b>619,473,452</b>	<b>420,503,623</b>	<b>600,493,748</b>	<b>451,120,972</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>					
<b>ATTRIBUTABLE TO:</b>					
	Owners of the Company	432,527,843	361,530,918	387,572,336	429,276,189
	Non-controlling interests	10,934,230	3,571,885	-	-
		<b>443,462,073</b>	<b>365,102,803</b>	<b>387,572,336</b>	<b>429,276,189</b>
<b>BASIC EARNINGS PER SHARE</b>					
26		1.28	0.91	1.26	0.99

**M.C.S. STEEL PUBLIC COMPANY LIMITED AND SUBSIDIARIES**

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

**FOR THE YEAR ENDED DECEMBER 31, 2019**

In Baht													
Consolidated financial statements													
		Issued and Paid-up Share Capital	Premium on Ordinary Shares	Premium (discount) on treasury Shares	Difference from change in shareholding proportion in subsidiary	Retained Earnings		Other Components of Shareholders' Equity		Total Equity Attributable to		Non- controlling Interests	Total Shareholders'
						Legal Reserve	Treasury shares reserve	Exchange Differences on Translating Financial Statements	Total Other Components of Shareholders' Equity	Owners of the Company	Treasury shares		Equity
Note													
For the year ended December 31, 2019													
<b>Balance as at January 1, 2019</b>		500,000,000	140,000,000	(153,609,677)	(15,250,061)	50,000,000	295,812,458	3,141,151,000	(748,510,526)	(748,510,526)	3,209,593,194	(295,812,458)	2,969,438,564
Dividend paid	29	-	-	-	-	-	-	(357,732,400)	-	-	(357,732,400)	-	(357,732,400)
Comprehensive income (loss) for the year													
Profit (loss) for the year		-	-	-	-	-	-	608,539,222	-	-	608,539,222	-	619,473,452
Other comprehensive income (loss)		-	-	-	-	-	-	1,234,182	(177,245,561)	(177,245,561)	(176,011,379)	-	(176,011,379)
Total comprehensive income (loss) for the year		-	-	-	-	-	-	609,773,404	(177,245,561)	(177,245,561)	432,527,843	-	443,462,073
<b>Balance as at December 31, 2019</b>		<u>500,000,000</u>	<u>140,000,000</u>	<u>(153,609,677)</u>	<u>(15,250,061)</u>	<u>50,000,000</u>	<u>295,812,458</u>	<u>3,393,192,004</u>	<u>(925,756,087)</u>	<u>(925,756,087)</u>	<u>3,284,388,637</u>	<u>(295,812,458)</u>	<u>3,055,168,237</u>
For the year ended December 31, 2018													
<b>Balance as at January 1, 2018</b>		500,000,000	140,000,000	-	-	50,000,000	643,070,560	2,556,945,040	(693,109,706)	(693,109,706)	3,196,905,894	(643,070,560)	2,595,461,616
Disposal of treasury shares		-	-	(153,609,677)	-	-	(347,258,102)	347,258,102	-	-	(153,609,677)	347,258,102	193,648,425
Change in shareholding proportion in subsidiary		-	-	-	(15,250,061)	-	-	-	-	-	(15,250,061)	-	(4,790,400)
Dividend paid	29	-	-	-	-	-	-	(179,983,880)	-	-	(179,983,880)	-	(179,983,880)
Comprehensive income (loss) for the year													
Profit (loss) for the year		-	-	-	-	-	-	416,931,738	-	-	416,931,738	-	420,503,623
Other comprehensive income (loss)		-	-	-	-	-	-	-	(55,400,820)	(55,400,820)	(55,400,820)	-	(55,400,820)
Total comprehensive income (loss) for the year		-	-	-	-	-	-	416,931,738	(55,400,820)	(55,400,820)	361,530,918	-	365,102,803
<b>Balance as at December 31, 2018</b>		<u>500,000,000</u>	<u>140,000,000</u>	<u>(153,609,677)</u>	<u>(15,250,061)</u>	<u>50,000,000</u>	<u>295,812,458</u>	<u>3,141,151,000</u>	<u>(748,510,526)</u>	<u>(748,510,526)</u>	<u>3,209,593,194</u>	<u>(295,812,458)</u>	<u>2,969,438,564</u>

Notes to financial statements form an integral part of these statements.

**M.C.S. STEEL PUBLIC COMPANY LIMITED AND SUBSIDIARIES**

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

**FOR THE YEAR ENDED DECEMBER 31, 2019**

		In Baht								
		Separate financial statements								
		Issued and	Premium	Premium	Retained Earnings		Other Components of Shareholders' Equity			Total
		Paid-up	on Ordinary	(discount)	Appropriated		Unappropriated	Exchange Differences	Total	Shareholders'
		Share Capital	Shares	on treasury	Legal Reserve	Treasury share		on Translating	Other	Treasury share
				Shares		reserve		Financial Statements	Components of	Equity
Note									Shareholders' Equity	
For the year ended December 31, 2019										
		500,000,000	140,000,000	(153,609,677)	50,000,000	295,812,458	3,218,000,372	(749,459,142)	(749,459,142)	3,004,931,553
	29	-	-	-	-	-	(357,732,400)	-	-	(357,732,400)
Comprehensive income (loss) for the year										
		-	-	-	-	-	600,493,748	-	-	600,493,748
		-	-	-	-	-	1,234,182	(214,155,594)	(214,155,594)	(212,921,412)
Total comprehensive income (loss) for the year										
		-	-	-	-	-	601,727,930	(214,155,594)	(214,155,594)	387,572,336
		500,000,000	140,000,000	(153,609,677)	50,000,000	295,812,458	3,461,995,902	(963,614,736)	(963,614,736)	3,034,771,489
For the year ended December 31, 2018										
		500,000,000	140,000,000	-	50,000,000	643,070,560	2,599,605,178	(727,614,359)	(727,614,359)	2,561,990,819
	21	-	-	-	-	-	-	-	-	-
		-	-	(153,609,677)	-	(347,258,102)	347,258,102	-	-	193,648,425
	29	-	-	-	-	-	(179,983,880)	-	-	(179,983,880)
Comprehensive income (loss) for the year										
		-	-	-	-	-	451,120,972	-	-	451,120,972
		-	-	-	-	-	-	(21,844,783)	(21,844,783)	(21,844,783)
Total comprehensive income (loss) for the year										
		-	-	-	-	-	451,120,972	(21,844,783)	(21,844,783)	429,276,189
		500,000,000	140,000,000	(153,609,677)	50,000,000	295,812,458	3,218,000,372	(749,459,142)	(749,459,142)	3,004,931,553



**M.C.S. STEEL PUBLIC COMPANY LIMITED AND SUBSIDIARIES**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED DECEMBER 31, 2019**

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before income tax	643,926,860	440,210,263	627,542,576	474,332,088
Adjustments for				
Depreciation and amortization	135,344,866	179,833,396	98,001,995	143,828,126
(Gain) loss on disposal of property, plant and equipment	(5,342,134)	2,304,278	(5,433,164)	(7,375,935)
Unrealized (gain) loss on exchange rate	58,174,743	44,425,601	60,361,038	48,774,907
Allowance for doubtful	-	18,055,436	-	-
Allowance for decline in value of inventories (reversal)	(45,694,428)	41,341,724	(45,694,428)	41,341,724
Expenses for warranty (reversal)	(45,965,701)	23,683,278	(45,965,701)	23,683,278
Expenses for employee benefit obligations	6,433,529	1,683,986	6,433,529	1,683,986
Provision from lawsuit (reversal)	-	830,000	-	830,000
Interest income	(9,006,565)	(2,649,737)	(8,225,689)	(2,441,027)
Finance costs	7,089,918	8,268,051	5,391,612	4,081,774
Profit from operations before changes in				
operating assets and liabilities	744,961,088	757,986,276	692,411,768	728,738,921
Changes in operating assets and liabilities				
Trade and other receivables (increase) decrease	(703,552,643)	565,601,737	(823,329,510)	470,359,037
Inventories (increase) decrease	(830,176,563)	(225,682,287)	(792,617,235)	(295,658,149)
Loan to related party (increase) decrease	-	-	(142,342,460)	(289,215,000)
Employee loan receivables	(11,803,415)	(69,451,655)	(11,803,415)	(69,451,655)
Other non-current asset (increase) decrease	6,654	184,235	(26,750)	168,000
Trade and other payables increase (decrease)	1,192,832,470	(100,970,160)	1,168,979,812	(100,937,943)
Cash received from operations	392,267,591	927,668,146	91,272,210	444,003,211
Warranty paid	(836,648)	(12,206,174)	(836,648)	(12,206,174)
Employee benefit obligations paid	(509,425)	(653,994)	(509,425)	(653,994)
Provision from lawsuit paid	(830,000)	-	(830,000)	-
Income tax paid	(23,490,200)	(109,213,250)	(23,195,545)	(109,213,250)
Net cash provided by (used in) operating activities	366,601,318	805,594,728	65,900,592	321,929,793

**M.C.S. STEEL PUBLIC COMPANY LIMITED AND SUBSIDIARIES**  
**STATEMENT OF CASH FLOWS (CONT.)**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	3,436,390	2,057,869	2,654,849	1,844,310
Cash paid for purchase of property, plant and equipment	(145,779,787)	(449,334,690)	(104,689,601)	(107,013,546)
Cash paid for purchase of intangible assets	(5,760,969)	(1,204,833)	(3,160,214)	(1,204,833)
Proceeds from sales of property, plant and equipment	5,601,058	21,548,694	5,448,989	21,411,259
(Increase) decrease in temporary investments	-	20,000,000	-	20,000,000
Cash paid for capital increase in subsidiary	-	-	-	(4,790,400)
Net cash provided by (used in) investing activities	(142,503,308)	(406,932,960)	(99,745,977)	(69,753,210)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Interest paid	(7,623,601)	(8,705,029)	(4,857,929)	(3,644,796)
Dividend paid	(357,732,400)	(179,983,880)	(357,732,400)	(179,983,880)
Increase (decrease) in short-term loan from financial institution	(160,845,900)	(3,218,503)	-	-
Cash payments for financial leases agrments	(1,404,231)	(9,387,597)	(354,272)	-
Cash payments for purchase share in the subsidiary from non-controlling interest	-	(4,790,400)	-	-
Cash disposal for treasury stock	-	193,648,425	-	193,648,425
Net cash provided (used in) financing activities	(527,606,132)	(12,436,984)	(362,944,601)	10,019,749
Increase (decrease) exchange rate differences on translating financial statements	(115,538,627)	(79,469,291)	(129,521,663)	(32,783,382)
Net increase (decrease) in cash and cash equivalents	(419,046,749)	306,755,493	(526,311,649)	229,412,950
Cash and cash equivalents at beginning of year	892,368,823	585,613,330	719,865,729	490,452,779
<b>Cash and cash equivalents end of year</b>	<b>473,322,074</b>	<b>892,368,823</b>	<b>193,554,080</b>	<b>719,865,729</b>
<b>Non - cash transaction</b>				
Purchase of fixed asset with financial lease	3,461	-	2,900	-

## M.C.S. STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

### NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

#### 1. THE OPERATIONS AND OTHER INFORMATION OF THE COMPANY

M.C.S. Steel Public Company Limited, (the “Company”), is incorporated in Thailand since 1992 and registered in the Stock Exchange of Thailand with its registered office at 70 Moo 2, Changyai, Bangsai, Ayutthaya. The principal businesses of the Company are production and distribution of structural steel products for building construction.

During the year 2018 the Company has changed the investment in subsidiary and investment in associates as follows:

1) M.C.S. - JAPAN Co., Ltd.

On May 11, 2018, the Board of Directors Meeting No. 4/2018 had a resolution to purchase the shares of M.C.S. Nasu Co., Ltd. from the existing shareholders at 34% from previous holding of 66% resulting in the shareholding proportion of 100% of the total shares sold. The purpose is to use as evidence of work piece production of the Company in Japan. On August 3, 2018, the Company paid for the purchase of shares in the amount of Yen 16 million. On June 12, 2018, M.C.S. Nasu Co., Ltd. has registered to change the name to M.C.S. - JAPAN Co., Ltd.

In year 2019, the Company has not changed the investment in subsidiaries company.

As at December 31, 2019, the Company’s major shareholders are Thai NVDR Co., Ltd. (9.60% shareholding), registered company in Thailand, and Mrs. Dorn Teantavornwong (6.15% shareholding), Thai nationality.

#### 2. BASIS FOR PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 The accompanying consolidated financial statements include the financial statements of M.C.S. Steel Public Company Limited and the following subsidiaries.

Name	Business type	Country of registration	Percentage of shareholdings (%)	
			As at December 31,	
			2019	2018
<b>Subsidiaries</b>				
Tanaka Welding Center Co., Ltd.	Welder training and Real estate	Thailand	99.92	99.92
M.C.S. - JAPAN Co., Ltd.	Design and Production of Structural steel	Japan	98.00	98.00
M.C.S. Steel (Xiamen) Co., Ltd.	Production and distribution of structural steel products	China	74.00	74.00

## **M.C.S. STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

### **NOTES TO FINANCIAL STATEMENTS (CONT.)**

**DECEMBER 31, 2019**

- 2.2 These consolidated financial statements included the financial statements of M.C.S. Steel Public Company Limited and its subsidiaries and have been prepared on the same basis as that applied for the consolidated financial statements for the year ended December 31, 2018.
- 2.3 Outstanding balances between the Company and the subsidiaries, significant intercompany transactions, investment balance in the Company's books and share capital of the subsidiaries are eliminated from the consolidated financial statements.
- 2.4 Subsidiaries are fully consolidated in the consolidated financial statement as from the date of acquisition, being the date on which the Company obtains control until the end of such control.
- 2.5 The accounting policies of the subsidiaries for similar accounting transactions are the same as M.C.S. Steel Public Company Limited.
- 2.6 Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries that are not held by the Company and are presented separately from the portion of owners of the parent.
- 2.7 Basis of preparation of the separate financial statements
- The Company's separate financial statements accounted investments in subsidiaries and associates for using the cost method, net of valuation allowance for impairment.

### **3. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS**

3.1 Basis for the preparation of financial statements

The financial statements have been prepared in accordance with the accounting standards prescribed by Thai Accounts Act enunciated under the Accounting Profession Act B.E.2547 by complying with the financial reporting standards. The presentation of the financial statements has been made in compliance with the Notification of the Department of Business Development, the Ministry of Commerce, re : the financial statements presentation for public limited company, issued under the Accounting Act B.E.2543.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

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

All financial information presented has been rounded to the nearest thousand unless otherwise stated.

**M.C.S. STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS (CONT.)**  
**DECEMBER 31, 2019**

Functional and presentation currency

The management of the Company has specified the Japanese Yen currency as the functional currency and presented the consolidated and separate financial statements with Japanese Yen currency in accordance with the accounting standard TAS 21 (revised 2018): The effects of changes in foreign exchange rate.

The Company has presented the consolidated and separate financial statements in Thai Baht currency which follows the regulation of the local agency in Thailand that requires the Company to present the financial statements in Thai Baht currency by translated from Japanese Yen to Thai Baht by using the basis as mentioned in Note 4.15.

3.2 Financial reporting standards that became effective in the current year

During the year, the Group have adopted the revised (revised 2018) and new financial reporting standards and interpretations, which are effective for fiscal years beginning on or after January 1, 2019. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes and clarifications directed towards disclosures in the notes to financial statements. The adoption of these financial reporting standards does not have any significant impact on the Company and its subsidiaries' financial statements.

3.3 Financial reporting standards that will become effective in the future

The Federation of Accounting Professions issued a number of new and revised financial reporting standards and interpretations, which are effective for fiscal years beginning on or after January 1, 2020. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards. Except, the new standard involves changes to key principles, as summarized below.

**M.C.S. STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS (CONT.)**  
**DECEMBER 31, 2019**

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

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

Financial Reporting Standards:

TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments

Accounting Standard:

TAS 32	Financial Instruments: Presentation
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Financial Reporting Standard Interpretations:

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

These TFRSs related to financial instruments make stipulations relating to the classification of financial instruments and their measurement at fair value or amortized cost (taking into account the type of instrument, the characteristics of the contractual cash flows and the Company's business model), calculation of impairment using the expected credit loss method, and hedge accounting. These include stipulations regarding the presentation and disclosure of financial instruments. When the TFRSs related to financial instruments are effective, some accounting standards, interpretations and guidance which are currently effective will be cancelled.

**TFRS 16 Leases**

These TFRSs supersedes TAS 17 Leases together with related Interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is low value.

Accounting by lessors under TFRS 16 is substantially unchanged from TAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles to those used under TAS 17.

The management of the Group are currently evaluating the impact of these standards to the financial statements in the year when they are adopted.

**M.C.S. STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS (CONT.)**  
**DECEMBER 31, 2019**

**4. SIGNIFICANT ACCOUNTING POLICIES**

**4.1 Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand and all deposits at financial institutions with the original maturities of three months or less from the date of acquisition, excluding deposit at financial institutions used as collateral.

**4.2 Temporary investments**

Temporary investments is time deposits with maturity term over 3 months up to 12 months and without obligation.

**4.3 Allowance for doubtful accounts**

Allowance for doubtful accounts is provided at the estimated collection losses on receivables. Such estimate is based on the Company's collection experiences and a review of the current status of each receivable.

**4.4 Inventories**

**4.4.1 Inventories**

Inventories are stated at the lower of cost or net realizable value. The cost of inventories of the Company and its subsidiary are calculated by the following methods :

Finish goods and work in process	By actual cost specific to weight of the work piece
Raw materials and supplies	By the first-in, first-out method

Net realizable value is the estimate of the selling price in the ordinary course of business, less the estimated cost of completion and estimated costs necessary to make sale. The Company records allowance for decline in value of inventories when inventories are obsolete and slow-moving inventories (if any).

**4.4.2 Land and project development cost**

Land and project development cost of the subsidiary are stated at the lower of cost and net realizable value. The project cost consists of cost of land, development cost, construction cost, miscellaneous expenses of the project and borrowing costs. Borrowing costs will be stopped to recognize as cost whenever the construction project have been completed or stop development.

**M.C.S. STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS (CONT.)**  
**DECEMBER 31, 2019**

Borrowing costs for the construction or production of an asset that necessarily takes a substantial period of time to get ready for use or sale (if any) that have been included as capitalized until the assets are ready to be used according to the purpose. The other borrowing costs are recognized as expenses in the period incurred. Borrowing costs consist of interest and other costs arising from the borrowing.

Project development costs are stated at the lower of cost and net realizable value.

**4.5 Investments in associates and subsidiary**

Associates are all entities over which the Company has significant influence but not control generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are stated at cost net from allowance on decline in value (if any).

Subsidiaries are entities over which the Company has the power to control their financial and operating policies generally accompanying a shareholding of more than one-half of the voting rights. The financial statements of the subsidiaries are consolidated from the date the Company exercises control over the subsidiaries until the date that control power ceases.

**Investment in subsidiaries in separate financial statement**

Investment in subsidiary is accounted for under the cost method less allowance for impairment loss on the investment, (if any). The Company recognizes impairment loss (if any) on the investment in the statement of comprehensive income.

Investments in associates and subsidiary are presented by the cost method in the separate financial statements.

Investments in associates are presented by the equity method in the consolidated financial statements.

In the case where impairment of investment is occurred, the impairment loss of investment will be charged to the statement of comprehensive income.

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

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



**M.C.S. STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS (CONT.)**  
**DECEMBER 31, 2019**

Goodwill in consolidated financial statement

Goodwill represents the excess of the cost of investment over the fair value of investment, which the Company shares in the net identifiable assets of the subsidiary at the date of acquisition. Goodwill on acquisition of a subsidiary is presented as a separate line in the consolidated financial statement.

The goodwill recognized is tested annually for impairment and carried at cost less accumulated impairment losses. The impairment of goodwill is determined by calculating the realizable value based on the value-in-use calculation. Such calculation requires the use of estimates made by management. The allowance for impairment loss on goodwill is not reversed.

As for the cost of acquiring an investment that is lower than the fair value of the share of net assets of the subsidiary, the difference is negative goodwill and will be recognized immediately in the statement of comprehensive income.

**4.6 Property, plant and equipment**

Land of the Group is stated at cost less provision for impairment (if any.)

Plant and equipment of the Group are stated at cost, less accumulated depreciation and allowance for impairment (if any.)

Depreciation of plant and equipment of the Group is calculated by the straight-line method over the estimated useful lives of the assets as follows:

Building	20 years
Machinery and equipment	5 - 20 years
Office furniture, fixtures and equipment	3-5 years
Vehicles	5 years

In the case where impairment of property, plant and equipment is occurred, the loss on impairment will be charged to the statement of comprehensive income.

Dismantling, moving and renovating assets location cost which the Company obligates when receiving such asset is recognized as the cost of assets and depreciated them.

The Group has reviewed the residual value and useful life of the assets every year.

The depreciation for each asset component is calculated on the separate components when each component has significant cost compared to the total cost of that asset.

Depreciation is included in determining income.

No depreciation is provided on land, construction in progress and equipment under installation.

Property, plant and equipment are written off at disposal. Gains or losses arising from sale or write-off of assets are recognized in the statement of comprehensive income.

**M.C.S. STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS (CONT.)**  
**DECEMBER 31, 2019**

**4.7 Land leasehold**

Leasehold is stated by cost less accumulated amortization. Amortization is calculated by the straight line method over the lease agreement period.

**4.8 Intangible assets**

Intangible asset consists of computer software.

Intangible asset is stated at costs less accumulated amortization.

Amortization is calculated by the straight-line method, based on the estimated useful lives of the assets as follows:

Computer Software	5-10 years
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**4.9 Impairment**

The carrying amounts of the assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment loss. If any such indication exists, the recoverable amounts of asset is estimated. The Group recognizes impairment loss when the recoverable amount of an asset is lower than its carrying amount. The recoverable amount is the higher of the asset's fair value less cost to sell or its value in use. The Group determines the value in use by estimating the present value of future cash flows generated by the asset, discounted using a pre-tax discount rate which reflects current market assessments of the time value of money and the risk specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. The calculation reflects the amount that the Group could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

The Group recognizes an impairment loss as expense in the statement of comprehensive income.

**Reversal of an impairment loss**

The Group reverses impairment loss of asset (if any), which had been recognized in the prior periods, if there is an indicator for impairment may no longer exist or may have decreased which the recoverable amount must be estimated.

**M.C.S. STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS (CONT.)**  
**DECEMBER 31, 2019**

4.10 Employee benefit obligations

4.10.1 Post-employment benefit upon retirement

The Group have accounted for post-employment benefits obligation under the Thai Labor Protection Act based on actuarial assumptions using Projected Unit Credit Method at the end of reporting period, such as discount rates, expected rates of salary increase and turnover rates.

The expense for defined employee benefit plans is recognized as personnel expenses in the statement of comprehensive income.

The actuarial gains (losses) are recognized in other comprehensive income and transferred immediately to the retained earnings in the period in which they arise.

4.10.2 Provident fund

The contribution for employees under provident fund scheme is recorded as expenses when incurred.

4.11 Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

4.12 Revenue and expense recognition

Revenue from sale of goods is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Revenue is measured at the amount of the consideration received or receivable, excluding value added tax, of goods supplied after deducting returns and discounts.

For sale with warranties to assure that the goods comply with agree-upon specifications, the Group recognized the warranty as provisions, contingent liabilities and contingent assets.

Service revenue is recognized over time when services have been rendered considering the stage of completion. The stage of completion is assessed by reference to surveys of work performed. When the outcome of a service rendering contract cannot be estimated reliably, service revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable.

**M.C.S. STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS (CONT.)**

**DECEMBER 31, 2019**

The recognized revenue which is not yet due per the contracts has been presented as “Accrued income” in the statement of financial position, which is classified as trade receivables when the Group has right to receive without condition such as upon completion of services and acceptance by the customer.

The obligation to transfer goods or service to a customer for which the Group have received consideration or an amount of consideration is due from the customer is presented as “Deferred income” in the statement of financial position. Deferred income will be recognized as revenue when the Group completely perform the obligation stated in the contract.

Revenues from dividend from investments are recognized as income when the dividend is declared.

Other incomes are recognized on an accrual basis.

Cost of service is recognized when the service has been rendered in accordance with the percentage of work completed based on the total estimated costs. The difference between the estimated costs and the actual costs are recognized as “cost of works in process and “unbilled payable” in the statement of financial position.

A loss provision for the project is provided in full when it is certain that the project will incur loss.

Expenses are recognized on an accrual basis.

**4.13 Leases**

**Operating lease**

Leases in which substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating lease. Rentals applicable to such operating leases are charged as an expense to the statement of comprehensive income on the straight-line basis over lease term.

**Finance lease**

Lease in which substantially all the risk and reward of ownership, other than legal title is transferred to the Group is accounted for as a finance lease. The Group capitalized the asset and liabilities in statements of financial position in the amount at the lower of estimated present value of the underlying lease payments or at the fair value of the leased asset at the contractual date. The leased assets are depreciated using the straight-line method over their estimated useful lives. Financial charge is calculated by the effective interest rate method over the term of contracts. Financial charge and depreciation are recognized as expenses in the statements of comprehensive income.

**M.C.S. STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS (CONT.)**

**DECEMBER 31, 2019**

**4.14 Income tax expense**

Income tax expense represents the sum of the tax currently payable and deferred tax.

**4.14.1 Current tax**

Current tax represents tax currently payable which is based on taxable profit for the period. Taxable profit differs from profit before income tax expenses as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable in other years and it further excludes items that are never taxable. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

**4.14.2 Deferred tax**

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit (tax base). Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for temporary differences to the extent that it is probable that taxable profits will be available against which those temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each of the end of reporting period date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the assets is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off the current tax assets against current tax liabilities and the Group intend to settle current tax liabilities and assets on a net basis or to realize the assets and settle the liabilities simultaneously.

Current and deferred tax are recognized as income or expenses and included in profit or loss for the period except when a transaction or event which is recognized in the other comprehensive income or directly in equity.

**M.C.S. STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS (CONT.)**  
**DECEMBER 31, 2019**

4.15 Foreign currency transactions

a) Functional and presentation currency

The Group's financial statements are presented in Thai Baht, which is different from the Group's functional currency of JPY. Each entity in the Group determines its own functional currency. Items of each entity included in the consolidated financial statements are measured using the functional currency of that entity.

b) Transaction and balance

Transactions in foreign currencies occurred during the year are converted into functional currency at the rates of exchange prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies outstanding at the end of the year are converted into functional currency at the exchange rates prevailing on that date as determined by the Bank of Thailand. Gains or losses on conversion are included in the statement of comprehensive income.

c) Group companies

The translation of financial statements in the company group that uses the functional currency that is different from the currency used to presentation currency for the purpose of preparing the financial statements should use the following exchange rates.

- a. Assets and liabilities are converted at the closing rate at the statements of financial position date.
- b. Shareholders' equity is converted using the exchange rate at the rate prevailing on the transaction date.
- c. Revenues and expenses are converted using the exchange rate at the average rate during the year.

Gain (loss) on translation of the financial statements is recorded in other comprehensive income and is shown as the difference of the exchange rate from the translation of financial statements as shown under shareholders' equity in the statement of financial position.

Goodwill and adjustment of fair value arising from the acquisition of business unit overseas is considered as assets and liabilities of the business unit overseas. It is converted by using the closing rate as at the statement of financial position date.

**M.C.S. STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS (CONT.)**

**DECEMBER 31, 2019**

**4.16 Basic earnings per share**

Basic earnings per share are computed by dividing profit attributable to the owners of the parent for the year by the weighted average number of ordinary shares which are issued during the year and held by outside party. The Company does not have any potential ordinary shares to dilute the earnings per share.

**4.17 Use of accounting estimates and judgments by the management**

The preparation of financial statements in conformity with Thai Financial Reporting Standards required the management of the Group to exercise judgment in order to determine the accounting policies, estimates and assumptions that affect the reported amounts of assets, liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Although these estimates are based on management's reasonable consideration of current events, actual results may differ from these estimates. Significant judgments and estimates are as follows:

**Allowance for doubtful accounts**

In determining an allowance for doubtful accounts, the management needs to make judgement and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

**Allowance for declining in value of inventory**

The determination of allowance for declining in the value of inventory, requires management to make judgements and estimates of the loss expected to occur. The allowance for decline in net realizable value is estimated based on the selling price expected in the ordinary course of business less selling expense. The provision for obsolete slow-moving and deteriorated inventory, is estimated based on the approximate useful life of each type of inventory. The allowance for diminution in value of inventory as determined is compared with the original balance in the books of account and the increase or decrease in the allowance for diminution in value of inventory will be recognized as cost of sales and service in profit or loss.

**Leases**

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgments in evaluating the conditions and details of the agreement whether significant risk and rewards of ownership of the leased asset has been transferred.

**M.C.S. STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS (CONT.)**

**DECEMBER 31, 2019**

**Property, plant and equipment/Depreciation**

In determining depreciation of plant and equipment, the management is required to make estimates of the useful lives and residual values of the plant and equipment and to review the estimated useful lives and residual values when there are any changes.

In addition, the management is required to review property, plant and equipment for impairment on a periodical basis and record the impairment loss when it is determined that the recoverable amount is lower than the carrying amount. This requires judgement regarding forecast of future revenues and expenses relating to the assets subject to the review.

**Deferred tax assets**

Deferred tax assets are recognized for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the temporary differences and losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of estimated future taxable profits.

**Post-employment benefits under defined benefit plans**

The obligation under the defined benefit plan is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate and staff turnover rate.

**Provision for warranty**

A provision for warranty is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities. This provision included all loss from their normal operation.

**Litigation**

The Company has contingent liabilities as a result of litigation. The management has used judgement to assess the results of the litigation and believed that it will win the case. However for prudent reason, the management has displayed judgement to set up certain provision for litigation as at the end of the reporting period.



# M.C.S. STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

## NOTES TO FINANCIAL STATEMENTS (CONT.)

DECEMBER 31, 2019

### 5. 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.

Relationships with related parties were as follows:

Company	Country of incorporation/ Nationality	Type of business	Percentage of holding						Percentage of the Company's substitution in Board of Directors of subsidiary/associate	
			As at December 31,		Relationship		As at December 31,		As at December 31,	
			2019	2018	2019	2018	2019	2018	2019	2018
			%	%			%	%	%	%
Tanaka Welding Center Co., Ltd.	Thailand	Welder training and Real estate	99.92	99.92	Subsidiary	Subsidiary	100.00	100.00		
M.C.S. JAPAN Co., Ltd.	Japan	Design and Production of structural steel	98.00	98.00	Subsidiary	Subsidiary	100.00	100.00		
M.C.S. Steel (Xiamen) Co., Ltd.	China	Production and distribution of structural steel products	74.00	74.00	Subsidiary	Subsidiary	74.00	74.00		
T.K.C. Co., Ltd.	Japan	Design	25.00	25.00	Associate	Associate	25.00	25.00		

The pricing policies for particular types of transactions are explained further below:

Transactions	Pricing policies
Revenue from sales of raw materials	Mutually agreed price
Interest income	Contract price
Cost of service	Mutually agreed price
Administrative expense	Mutually agreed price
Sales assets	Equivalent assessment price

**M.C.S. STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS (CONT.)**

**DECEMBER 31, 2019**

Significant transactions for the year ended December 31, 2019 and 2018 with related parties are as follows :

		In Thousand Baht			
		Consolidated Financial Statements		Separate Financial Statements	
		For the year ended December 31,		For the year ended December 31,	
		2019	2018	2019	2018
<b>Transactions with subsidiaries:</b>					
M.C.S. - JAPAN Co., Ltd.					
Revenue from contractors		-	-	-	3,450
Interest income		-	-	6,035	589
Cost of service		-	-	52,136	57,945
M.C.S. Steel (Xiamen) Co., Ltd.					
Cost of service		-	-	250,268	414,821
<b>Transactions with Board of Director :</b>					
Sales assets		-	-	-	12,950

The significant outstanding balances with related parties as at December 31, 2019 and 2018 are as follows:

		In Thousand Baht			
		Consolidated Financial Statements		Separate Financial Statements	
		As at December 31,		As at December 31,	
		2019	2018	2019	2018
<b>Trade and other receivables - related party</b>					
Subsidiary					
M.C.S. - JAPAN Co., Ltd.		-	-	11,744	17,851
M.C.S. Steel (Xiamen) Co., Ltd.		-	-	279,394	174,681
		-	-	291,138	192,532
<b>Loan to related party</b>					
Subsidiary					
M.C.S. - JAPAN Co., Ltd.		-	-	431,557	289,215
<b>Trade payable and other payables - related party</b>					
Subsidiary					
M.C.S. - JAPAN Co., Ltd.		-	-	12,190	7,325
M.C.S. Steel (Xiamen) Co., Ltd.		-	-	33,706	105,108
		-	-	45,896	112,433

**M.C.S. STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS (CONT.)**

**DECEMBER 31, 2019**

As at December 31, 2019 and 2018, loan to the related company is the loan to M.C.S.-Japan Co., Ltd., the subsidiary, to acquire the land and plant for work piece storage area of the company that will be sent to Japan for installation. The loan amount of Yen 1,000 million carries the interest rate at 1.38 percent per annum and is due for repayment of the first Yen 100 million in July 2023 and repayment Yen 900 million in November 2035.

In the first quarter of 2019, the company had given the loans to M.C.S. - JAPAN Co., Ltd., a subsidiary, for 3 credit limits at the total amount of Yen 540 million as follows:

Limit No. 1 : Yen 40 million to use as land transfer fee, carried interest rate 1.38% per annum, due date to repay all principal as at the end of November 2024.

Limit No. 2 : Yen 200 million to use as working capital of the Company, carried interest rate 1.38% per annum, due date to repay all principal as at the end of November 2026.

Limit No. 3 : Yen 300 million to use as working capital of the Company, carried interest rate 1.38% per annum, due date to repay all principal as at the end of December 2038.

In the third quarter of 2019, the Company had given the loans to M.C.S. - JAPAN Co., Ltd., a subsidiary, amounted Yen 45 million to acquire the machinery. The loan carries interest rates at 1.38% per annum, due date to repay all principal as at the end of August 2024.

Movements in loan to related party account for the year ended December 31, 2019 and 2018 are summarized below.

	In Thousand Baht	
	Separate Financial Statements	
	2019	2018
Balance as at January 1,	289,215	-
<u>Add</u> : Addition during the year	142,342	289,215
Balance as at December 31,	<u>431,557</u>	<u>289,215</u>

**Management benefit expenses**

Management benefit expenses represent the benefits paid to the Company's management such as salaries and related benefit including the benefit paid by other means. The Company's management is the persons who are defined under the Securities and Exchange Act.

**M.C.S. STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS (CONT.)**

**DECEMBER 31, 2019**

Management benefit expenses for the year ended December 31, 2019 and 2018, are as follows :

	In Thousand Baht			
	Consolidated Financial Statements		Separate Financial Statements	
	For the year ended December 31,		For the year ended December 31,	
	2019	2018	2019	2018
Management				
Management benefit expenses				
Short-term employee benefits	35,155	39,338	25,887	30,577
Post-employment benefits	602	222	602	222
Total	35,757	39,560	26,489	30,799

**6. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents are as follows:

	In Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	As at December 31,		As at December 31,	
	2019	2018	2019	2018
Cash on hand	938	665	658	495
Cash at banks - current and savings accounts	466,043	885,137	186,555	712,803
Deposit at bank - fixed account with maturity of				
3 months or less	6,341	6,567	6,341	6,568
Total	473,322	892,369	193,554	719,866

Cash and cash equivalents based on currency denomination as at December 31, 2019 and 2018, are as follows:

	In Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	As at December 31,		As at December 31,	
	2019	2018	2019	2018
Thai Baht (THB)	139,420	663,449	55,397	582,464
Japanese Yen (JPY)	153,293	118,540	100,662	94,228
Chinese Yuan (CNY)	130,555	67,206	-	-
United States Dollars (USD)	50,054	43,174	37,495	43,174
Total	473,322	892,369	193,554	719,866

**M.C.S. STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS (CONT.)**

**DECEMBER 31, 2019**

**7. TRADE AND OTHER RECEIVABLES**

Trade and other receivables are as follows:

		In Thousand Baht			
		Consolidated financial statements		Separate financial statements	
		As at December 31,		As at December 31,	
	Notes	2019	2018	2019	2018
Trade receivables - other companies		816,592	440,679	698,496	297,088
<u>Less</u> Allowance for doubtful accounts		(95,455)	(104,602)	-	-
Total trade receivables		721,137	336,077	698,496	297,088
Accrued Income		82,006	-	82,006	-
Other receivables					
Product and service advance payment	5	176,512	14,475	431,867	188,018
Raw material delivered to contractor		-	-	917	974
Revenue department receivables		759	29,540	759	29,540
Prepaid agent agreement expense	31.3	157,069	-	157,069	-
Other receivables		85,741	92,378	15,769	42,056
<u>Less</u> Allowance for doubtful accounts		(41,869)	(53,997)	-	(5,537)
Total other receivables		378,212	82,396	606,381	255,051
Total		1,181,355	418,473	1,386,883	552,139

Aging analysis for trade receivables are as follows:

		In Thousand Baht			
		Consolidated financial statements		Separate financial statements	
		As at December 31,		As at December 31,	
		2019	2018	2019	2018
Within credit terms		649,227	335,704	627,219	296,715
Overdue:					
Less than 3 months		36	-	-	-
3 - 6 months		61,869	373	60,337	373
6 - 12 months		2,458	-	589	-
Over 12 months		103,002	104,602	10,351	-
		816,592	440,679	698,496	297,088
<u>Less</u> Allowance for doubtful accounts		(95,455)	(104,602)	-	-
Total		721,137	336,077	698,496	297,088

The normal credit terms granted by the Company range is from 30 days to 180 days.

As at December 31, 2019, the Company has a declining in allowance for doubtful accounts at the amount of Baht 5.54 million due to the Company write-off debts.

**M.C.S. STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS (CONT.)**  
**DECEMBER 31, 2019**

Trade receivables based on currency denomination as at December 31, 2019 and 2018 are as follows:

	In Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	As at December 31,		As at December 31,	
	2019	2018	2019	2018
Thai Baht (BAHT)	113,940	217,966	113,940	217,966
Japanese Yen (JPY)	601,004	117,101	584,556	79,122
Chinese Yuan (CNY)	6,193	1,010	-	-
Total	721,137	336,077	698,496	297,088

## 8. INVENTORIES

	In Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	As at December 31,		As at December 31,	
	2019	2018	2019	2018
Work in process	368,564	523,182	339,219	468,746
Raw materials	1,263,464	475,391	1,229,746	460,398
Spare parts and factory supplies	141,444	104,592	90,911	102,619
Goods in transit	140,190	38,217	140,190	38,217
Project development costs				
Property for sale	6,304	10,503	-	-
Total	1,919,966	1,151,885	1,800,066	1,069,980
<u>Less</u> Allowance for decline in value				
of inventories	(7,318)	(37,472)	(7,318)	(37,472)
Inventories - net	1,912,648	1,114,413	1,792,748	1,032,508

As at December 31, 2019, the Company's allowance for decline in value of inventory had decreased Baht 30.15 million, as the Company plan to use the long outstanding raw material to build fixed assets and draw out for production in the amount of Baht 12.72 million. The export of goods amounted to Baht 17.43 million.

As at December 31, 2019 and 2018, the Company's total raw materials are mortgaged as collateral for bank overdrafts limit, trust receipt limit, letter of credit limit, packing credit limit, aval promissory note limit and letter of guarantee limit with a local financial institution.

**M.C.S. STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS (CONT.)**

**DECEMBER 31, 2019**

**9. LOAN TO EMPLOYEE**

	In Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	As at December 31,		As at December 31,	
	2019	2018	2019	2018
Balance as at January 1,	69,452	-	69,452	-
Increased	22,711	72,664	22,711	72,664
(Decreased)	(10,908)	(3,212)	(10,908)	(3,212)
Balance as at December 31,	81,255	69,452	81,255	69,452

According to the Board of Directors Meeting No. 3/2018 dated March 24, 2018, it had resolution to approve a sum to the employees for loan as welfare and support employees to have accommodation at low cost by calculating interest at 2% per annum. The period of payment is not over 20 years.

**10. INVESTMENTS IN ASSOCIATE**

Investments in associate accounted by cost method in the separate financial statements is as follows:

	In Thousand Baht									
	Ownership interest (%)		Paid-up capital		Cost method		Allowance for impairment		At Cost - Net	
	As at December 31,		As at December 31,		As at December 31,		As at December 31,		As at December 31,	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
<b>Associates</b>										
T.K.C. Co., Ltd.	25.00	25.00	YEN 12	YEN 12						
			million	million	817	868	(817)	(868)	-	-
Total					817	868	(817)	(868)	-	-

Investments in associate accounted by equity method in the consolidated financial statements is as follows:

	In Thousand Baht									
	Ownership interest (%)		Paid-up capital		Equity method		Allowance for impairment		Equity method - Net	
	As at December 31,		As at December 31,		As at December 31,		As at December 31,		As at December 31,	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
<b>Associate</b>										
T.K.C. Co., Ltd.	25.00	25.00	YEN 12	YEN 12						
			million	million	-	-	-	-	-	-
Total					-	-	-	-	-	-

**M.C.S. STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS (CONT.)**

**DECEMBER 31, 2019**

**11. INVESTMENTS IN SUBSIDIARIES**

Investments in subsidiaries in the separate financial statements which use the cost method are as follows:

			In Thousand Baht									
Type of business	Country of incorporation	Ownership	Paid-up capital		Cost method		Allowance for impairment		At Cost - Net			
		Interest (%)										
		As at December 31,	As at December 31,	As at December 31,	As at December 31,	As at December 31,	As at December 31,					
		2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	
Tanaka Welding Center Co., Ltd.	Welder training and											
	Real estate	Thai	99.92	99.92	Baht 99 million	Baht 99 million	87,556	93,003	-	-	87,556	93,003
M.C.S. - JAPAN Co., Ltd.	Design and											
	production of											
	structural steel	Japan	98.00	98.00	Yen 50 million	Yen 50 million	13,341	14,172	-	-	13,341	14,172
M.C.S. Steel (Xiamen) Co., Ltd.	Production and											
	distribution of											
	structural steel											
	product	China	74.00	74.00	Yuan 64 million	Yuan 64 million	172,304	183,023	(13,871)	(14,734)	158,433	168,289
Total							273,201	290,198	(13,871)	(14,734)	259,330	275,464

The subsidiaries that have material non-controlling interests

The Company has consolidated M.C.S. Steel (Xiamen) Co., Ltd. that have material non-controlling interest:

		In Thousand Baht					
Name of Company	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests (%)		Profit(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2019	2018	2019	2018	2019	2018
M.C.S. Steel (Xiamen) Co., Ltd.	China	26	26	10,933	(9,426)	66,592	55,658
Total						66,592	55,658

The summarized financial information in respect of M.C.S. Steel (Xiamen) Co., Ltd. before intragroup eliminations.

		In Thousand Baht	
		2019	2018
Current assets		296,920	147,722
Non-current assets		282,263	347,523
Current liabilities		(387,296)	(305,226)
Non-current liabilities		(37,674)	(46,308)
Net assets		154,213	143,711
Non-Controlling interests		66,592	55,658



**M.C.S. STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS (CONT.)**

**DECEMBER 31, 2019**

	In Thousand Baht	
	2019	2018
Revenue	338,969	414,821
Profit (loss) attributable to the non-controlling interests	10,734	(9,426)
Dividends paid to non-controlling interests	-	-
Net cash provided by (used in) operating activities	158,435	85,177
Net cash provided by (used in) investing activities	(369)	(9,949)
Net cash provided by (used in) financing activities	(15,000)	(8,325)
Net cash increased (decreased)	<u>143,066</u>	<u>66,903</u>

- 11.1 Movements of investments in subsidiaries (cost) for the year ended December 31, 2019 and 2018 are as follow :

	In Thousand Baht	
	Separate financial statements	
	As at December 31,	
	2019	2018
Balance as at January 1,	275,464	271,390
Increase (decrease) during the year	-	4,790
<u>Add (Less) : Differences from translating exchange rate</u>	<u>(16,134)</u>	<u>(716)</u>
Balance as at December 31,	<u>259,330</u>	<u>275,464</u>

- 11.2 Goodwill

Movements of goodwill for the year ended December 31, 2019 and 2018 are as follow :

	In Thousand Baht	
	Consolidated Financial Statement	
	As at December 31,	
	2019	2018
Goodwill	21,553	22,270
Increased during the year	-	-
<u>Add (Less) : Differences from translating exchange rate</u>	<u>(1,262)</u>	<u>(717)</u>
Goodwill - net	<u>20,291</u>	<u>21,553</u>

**M.C.S. STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS (CONT.)**

**DECEMBER 31, 2019**

**12. PROPERTY, PLANT AND EQUIPMENT**

Consolidated financial statements (In Thousand Baht)						
	Balance as at January 1, 2019	Additions	Disposals	Transfer in/ (Transfer out) reclassification	Effect from Translation of The financial Statements	Balance as at December 31, 2019
Cost:						
Land	372,046	2,136	-	-	(22,553)	351,629
Building	944,034	23,454	-	3,676	(83,881)	887,283
Machinery and equipment	1,014,093	24,017	(61,312)	68,599	(70,073)	975,324
Office furniture, fixtures and Equipment	142,758	6,279	(2,128)	-	(10,490)	136,419
Vehicles	49,885	3,598	(1,669)	-	(3,064)	48,750
Total cost	2,522,816	59,484	(65,109)	72,275	(190,061)	2,399,405
Accumulated depreciation:						
Building	424,410	53,100	-	-	(50,375)	427,135
Machinery and equipment	673,259	57,425	(61,078)	-	(48,178)	621,428
Office furniture, fixtures and Equipment	111,777	11,698	(2,103)	-	(9,228)	112,144
Vehicles	25,774	10,120	(1,669)	-	(2,440)	31,785
Total accumulated depreciation	1,235,220	132,343	(64,850)	-	(110,221)	1,192,492
Building under construction and machinery and equipment under installation	72,943	89,757	-	(72,275)	(2,690)	87,735
<u>Less</u> Allowance for impairment	(3,267)	-	-	-	191	(3,076)
Property, plant and equipment	1,357,272					1,291,572

Consolidated financial statements (In Thousand Baht)						
	Balance as at January 1, 2018	Additions	Disposals	Transfer in/ (Transfer out) reclassification	Effect from Translation of The financial Statements	Balance as at December 31, 2018
Cost:						
Land	137,094	238,965	(2,719)	-	(1,294)	372,046
Building	873,833	62,117	(9,173)	32,444	(15,187)	944,034
Machinery and equipment	972,040	7,843	(3,107)	54,504	(17,187)	1,014,093
Office furniture, fixtures and Equipment	144,852	9,513	(5,483)	-	(6,124)	142,758
Vehicles	78,460	6,576	(35,360)	-	209	49,885
Total cost	2,206,279	325,014	(55,842)	86,948	(39,583)	2,522,816
Accumulated depreciation:						
Building	393,730	45,296	(4,267)	-	(10,349)	424,410
Machinery and equipment	583,066	108,734	(3,834)	-	(14,707)	673,259
Office furniture, fixtures and Equipment	110,563	11,782	(4,901)	-	(5,667)	111,777
Vehicles	35,900	14,021	(23,595)	-	(552)	25,774
Total accumulated depreciation	1,123,259	179,833	(36,597)	-	(31,275)	1,235,220
Building under construction and machinery and equipment under installation	36,707	124,320	-	(86,948)	(1,136)	72,943
<u>Less</u> Allowance for impairment	(3,274)	-	-	-	7	(3,267)
Property, plant and equipment	1,116,453					1,357,272

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**NOTES TO FINANCIAL STATEMENTS (CONT.)**

**DECEMBER 31, 2019**

	Separate financial statements (In Thousand Baht)					
	Balance as at January 1, 2019	Additions	Disposals	Transfer in/ (Transfer out) reclassification	Effect from Translation of The financial Statements	Balance as at December 31, 2019
Cost:						
Land	134,329	-	-	-	(7,868)	126,461
Building	613,367	2,066	-	3,676	(36,261)	582,848
Machinery and equipment	860,854	9,342	(58,936)	68,599	(50,543)	829,316
Office furniture, fixtures and Equipment	68,224	3,424	(1,944)	-	(4,040)	65,664
Vehicles	39,818	3,037	(1,669)	-	(2,288)	38,898
Total cost	1,716,592	17,869	(62,549)	72,275	(101,000)	1,643,187
Accumulated depreciation:						
Building	334,122	29,418	-	-	(25,101)	338,439
Machinery and equipment	563,495	49,512	(58,936)	-	(31,418)	522,653
Office furniture, fixtures and Equipment	49,185	9,505	(1,929)	-	(3,755)	53,006
Vehicles	22,179	8,555	(1,669)	-	(2,144)	26,921
Total accumulated depreciation	968,981	96,990	(62,534)	-	(62,418)	941,019
Building under construction and machinery and equipment under installation	72,889	89,720	-	(72,275)	(2,635)	87,699
Less Allowance for impairment	(3,267)	-	-	-	191	(3,076)
Property, plant and equipment	817,233					786,791

**M.C.S. STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS (CONT.)**

**DECEMBER 31, 2019**

	Separate financial statements (In Thousand Baht)				
	Balance as at	Additions	Disposals	Transfer in/ (Transfer out)	Balance as at
	January				December
	1, 2018			reclassification	31, 2018
				Statements	
Cost:					
Land	137,094	-	(2,719)	-	134,329
Building	616,881	1,283	(9,139)	3,425	613,367
Machinery and equipment	806,742	3,554	-	54,504	860,854
Office furniture, fixtures and					
Equipment	64,393	6,962	(3,259)	-	68,224
Vehicles	47,530	468	(8,646)	-	39,818
Total cost	1,672,640	12,267	(23,763)	57,929	1,716,592
Accumulated depreciation:					
Building	312,854	29,177	(4,266)	-	334,122
Machinery and equipment	475,419	95,194	-	-	563,495
Office furniture, fixtures and					
Equipment	43,100	9,436	(3,015)	-	49,185
Vehicles	16,067	9,099	(2,447)	-	22,179
Total accumulated depreciation	847,440	142,906	(9,728)	-	968,981
Building under construction and machinery					
and equipment under installation	36,707	94,746	-	(57,929)	72,889
<u>Less</u> Allowance for impairment	(3,274)	-	-	-	(3,267)
Property, plant and equipment	858,633				817,233

	In Thousand Baht			
	Consolidated Financial Statement		Separate Financial Statement	
	For the years ended December 31,		For the years ended December 31,	
	2019	2018	2019	2018
Depreciation charged to the statements of				
comprehensive income				
Cost of sales and services	101,835	150,273	75,564	121,035
Administrative expenses	30,508	29,560	21,426	21,871
Total	132,343	179,833	96,990	142,906

**M.C.S. STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS (CONT.)**

**DECEMBER 31, 2019**

The gross amount of the Company's fully depreciated property, plant and equipment that was still in use as at December 31, 2019 and 2018 amounted to Baht 625.43 million and Baht 543.24 million, respectively.

As at December 31, 2019 and 2018, the Company's land and building with a net book value of Baht 165.53 million and Baht 180.54 million are mortgaged as collateral for bank overdrafts limit, trust receipt limit, letter of credit limit, packing credit limit, aval promissory note limit, letter of guarantee limit and forward contract and as at December 31, 2019 and 2018, the Company gives the commitment not to sell, transfer or make any restriction to the machinery for the mentioned credit limits with a local financial institution.

**13. PREPAID RENTAL EXPENSE (LAND LEASEHOLD)**

This account is consisted of :

	In Thousand Baht	
	Consolidated financial statements	
	2019	2018
Land leasehold beginning balance	145,431	153,424
Amortized during the year	(3,417)	(3,786)
Effect from translation of the financial statements of foreign subsidiaries	(20,130)	(4,207)
Land leasehold ended balance	<u>121,884</u>	<u>145,431</u>

Land leasehold is the leasehold of subsidiary office in China with the year from 2011 to 2056.

**14. INTANGIBLE ASSETS**

	Consolidated financial statements (In Thousand Baht)				
	Balance as at January 1, 2019	Additions	Disposals	Effect from Translation of The financial Statements	Balance as at December 31, 2019
Cost:					
Computer software	17,558	5,761	-	(1,232)	22,087
Total cost	<u>17,558</u>	<u>5,761</u>	<u>-</u>	<u>(1,232)</u>	<u>22,087</u>
Accumulated depreciation:					
Computer software	11,171	1,639	-	(816)	11,994
Total accumulated depreciation	<u>11,171</u>	<u>1,639</u>	<u>-</u>	<u>(816)</u>	<u>11,994</u>
Intangible assets	<u>6,387</u>				<u>10,093</u>

**M.C.S. STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS (CONT.)**

**DECEMBER 31, 2019**

Consolidated financial statements (In Thousand Baht)					
	Balance as at January 1, 2018	Additions	Disposals	Effect from Translation of The financial Statements	Balance as at December 31, 2018
Cost:					
Computer software	16,778	1,205	-	(425)	17,558
Total cost	16,778	1,205	-	(425)	17,558
Accumulated depreciation:					
Computer software	10,073	1,558	-	(460)	11,171
Total accumulated depreciation	10,073	1,558	-	(460)	11,171
Intangible assets	6,705				6,387
Separate financial statements (In Thousand Baht)					
	Balance as at January 1, 2019	Additions	Disposals	Effect from Translation of The financial Statements	Balance as at December 31, 2019
Cost:					
Computer software	13,721	3,160	-	(873)	16,008
Total cost	13,721	3,160	-	(873)	16,008
Accumulated depreciation:					
Computer software	9,770	1,012	-	(706)	10,076
Total accumulated depreciation	9,770	1,012	-	(706)	10,076
Intangible assets	3,951				5,932
Separate financial statements (In Thousand Baht)					
	Balance as at January 1, 2018	Additions	Disposals	Effect from Translation of The financial Statements	Balance as at December 31, 2018
Cost:					
Computer software	12,562	1,205	-	(46)	13,721
Total cost	12,562	1,205	-	(46)	13,721
Accumulated depreciation:					
Computer software	8,967	922	-	(119)	9,770
Total accumulated depreciation	8,967	922	-	(119)	9,770
Intangible assets	3,595				3,951

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**NOTES TO FINANCIAL STATEMENTS (CONT.)**

**DECEMBER 31, 2019**

	In Thousand Baht			
	Consolidated Financial Statement		Separate Financial Statement	
	For the years ended December 31,		For the years ended December 31,	
	2019	2018	2019	2018
Depreciation charged to the statements of comprehensive income				
Administrative expenses	1,639	1,558	1,012	922
Total	<u>1,639</u>	<u>1,558</u>	<u>1,012</u>	<u>922</u>

**15. DEFERRED TAX ASSETS**

The corporate income tax for the years ended December 31, 2019 and 2018 are calculated by using tax rate at 20% and 25% for income before tax of the Group after adding back transactions which are non-deductible expenses and deducting exempted income under the Revenue Code.

**15.1 Deferred tax assets and deferred tax liabilities as follows:-**

	In Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	As at December 31,		As at December 31,	
	2019	2018	2019	2018
Deferred tax assets	3,501	7,889	3,501	7,889
Deferred tax liabilities	(37,673)	(46,308)	-	-
	<u>(34,172)</u>	<u>(38,419)</u>	<u>3,501</u>	<u>7,889</u>

**M.C.S. STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS (CONT.)**

**DECEMBER 31, 2019**

Changes in deferred tax assets and deferred tax liabilities for the year ended December 31, 2019 and 2018, were as follows:

In Thousand Baht					
Consolidated financial statements					
Balance as at December 31, 2018	Recognized in Profit and Loss Additions	Recognized in Other Utilized/ Reversal	Recognized in Exchange translating differences	Balance as at December 31, 2019	
Deferred tax assets resulted from					
Allowance for decline in value					
in inventories	5,762	- (4,748)	-	-	1,014
Employee benefit obligations	1,961	215 -	308	-	2,484
Finance lease	-	3 -	-	-	3
other provision	166	- (166)	-	-	-
Total	7,889	218 (4,914)	308	-	3,501
Deferred tax liabilities from					
Property, plant and equipment	(17,419)	- 2,000	-	2,240	(13,179)
Prepaid rental expense (Land leasehold)	(28,889)	- 682	-	3,713	(24,494)
Total	(46,308)	- 2,682	-	5,953	(37,673)
Net	(38,419)	218 (2,232)	308	5,953	(34,172)

In Thousand Baht					
Consolidated financial statements					
Balance as at December 31, 2017	Recognized in Profit and Loss Additions	Recognized in Other Utilized/ Reversal	Recognized in Exchange translating differences	Balance as at December 31, 2018	
Deferred tax assets resulted from					
Allowance for decline in value					
in inventories	1,971	3,817 -	-	(26)	5,762
Employee benefit obligations	2,438	- (444)	-	(33)	1,961
Other provision	-	166 -	-	-	166
Total	4,409	3,983 (444)	-	(59)	7,889
Deferred tax liabilities from					
Property, plant and equipment	(19,940)	- 2,817	-	(296)	(17,419)
Prepaid rental expense (Land leasehold)	(29,205)	- 740	-	(424)	(28,889)
Total	(49,145)	- 3,557	-	(720)	(46,308)
Net	(44,736)	3,983 3,113	-	(779)	(38,419)



**M.C.S. STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS (CONT.)**  
**DECEMBER 31, 2019**

	In Thousand Baht				
	Separate financial statements				
	Balance as at December 31, 2018	Recognized in Profit and Loss Additions	Recognized in Other Comprehensive Utilized/ Reversal	Exchange translating differences	Balance as at December 31, 2019
			Income		
Deferred tax assets resulted from					
Allowance for decline in value in inventories	5,762	-	(4,748)	-	1,014
Liabilities under a finance lease agreement	-	3	-	-	3
Employee benefit obligation	1,961	215	-	-	2,484
Other provision	166	-	(166)	-	-
Total deferred tax assets	<u>7,889</u>	<u>218</u>	<u>(4,914)</u>	<u>-</u>	<u>3,501</u>

	In Thousand Baht				
	Separate financial statements				
	Balance as at December 31, 2017	Recognized in Profit and Loss Additions	Recognized in Other Comprehensive Utilized/ Reversal	Exchange translating differences	Balance as at December 31, 2018
			Income		
Deferred tax assets resulted from					
Allowance for decline in value in inventories	1,971	3,817	-	(26)	5,762
Employee benefit obligation	2,438	-	(444)	(33)	1,961
Other provision	-	166	-	-	166
Total deferred tax assets	<u>4,409</u>	<u>3,983</u>	<u>(444)</u>	<u>(59)</u>	<u>7,889</u>

**15.2 Income tax expense (income)**

**Major components of tax expense (income)**

For the years ended December 31, 2019 and 2018 consisted of:

	In Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Income tax expense (income) shown in profit or loss :				
Current tax expense:				
Income tax expense for the year	23,080	28,184	23,001	28,131
Deferred tax expense (income):				
Changes in temporary differences relating to the original recognition and reversal	1,406	(7,096)	4,080	(3,539)
Currency translation differences	(33)	(1,381)	(32)	(1,381)
Total	<u>24,453</u>	<u>19,707</u>	<u>27,049</u>	<u>23,211</u>

**M.C.S. STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS (CONT.)**  
**DECEMBER 31, 2019**

15.3 A numerical reconciliation between tax expense (income) and the product of accounting profit multiplied by the applicable tax rate

For the years ended December 31, 2019 and 2018 which are summarized as follows:

	In Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Accounting profit (loss) for the period	585,390	424,693	574,194	461,379
The applicable tax rate (%)	20.00	20.00	20.00	20.00
Tax expense (income) at the applicable tax rate	117,078	84,939	114,839	92,276
Reconciliation items:				
Tax effect of expenses that are not deductible in determining tax profit:				
- Expenses not allowed as expenses in determining taxable profit	2,296	15,440	2,296	15,440
- Expenses allowed increase in determine taxable	(18,638)	(2,616)	(18,638)	(2,616)
Tax effect of income or profit that are not required in determining taxable profit:				
- The exemption of profit of the promoted business(BOI)	(75,496)	(76,969)	(75,496)	(76,969)
- Others	(2,160)	293	-	-
Total reconciliation items	(93,998)	(63,852)	(91,838)	(64,145)
Total tax expense (income)	23,080	21,087	23,001	28,131

15.4 A numerical reconciliation between the average effective tax rate and the applicable tax rate

For the years ended December 31, 2019 and 2018 are summarized as follows:

	Consolidated financial statements			
	2019		2018	
	Tax amount (In Thousand Baht)	Tax rate (%)	Tax amount (In Thousand Baht)	Tax rate (%)
Accounting profit (loss) before tax expense for the year	585,390		424,693	
Tax expense (income) at the applicable tax rate	117,078	20.00	84,939	20.00
Reconciliation items	(93,998)	(16.00)	(63,852)	(15.03)
Tax expense (income) at the average effective tax rate	23,080	4.00	21,087	4.97

**M.C.S. STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS (CONT.)**  
**DECEMBER 31, 2019**

	Separate financial statements			
	2019		2018	
	Tax amount (In Thousand Baht)	Tax rate (%)	Tax amount (In Thousand Baht)	Tax rate (%)
Accounting profit (loss) before tax expense for the year	574,194		461,379	
Tax expense (income) at the applicable tax rate	114,839	20.00	92,276	20.00
Reconciliation items	(91,838)	(16.00)	(64,145)	(13.90)
Tax expense (income) at the average effective tax rate	23,001	4.00	28,131	6.10

Profit before income tax expenses were calculated by assumed that function currency is Thai Baht for the purpose of tax calculation.

#### 16. SHORT-TERM LOAN

During the first quarter of 2019, a Japan subsidiary had repaid the loan from financial institution in full amount of Yen 300 million.

During the year 2019, a China subsidiary had short-term loan from financial institution in the amount of Yuan 8 million with interest rate at 5.655% per annum, maturity less than one year. The loan is guaranteed by the construction on the subsidiary's land leasehold. The subsidiary had repaid the loan fully amount in the fourth quarter of 2019.

#### 17. TRADE AND OTHER PAYABLES

Trade and other payables were as follows:

	In Thousand Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	As at December 31,		As at December 31,	
	2019	2018	2019	2018
Trade payables	1,545,416	398,949	1,459,310	298,108
Other payables	54,179	59,497	49,733	52,503
Accrued expenses	265,892	255,045	261,211	270,650
Deferred income	35,302	-	35,302	-
Total	1,900,789	713,491	1,805,556	621,261

**M.C.S. STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS (CONT.)**  
**DECEMBER 31, 2019**

Trade payables based on currency denomination as at December 31, 2019 and 2018 were as follows:

	In Thousand Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	As at December 31,		As at December 31,	
	2019	2018	2019	2018
Thai Baht (THB)	15,302	8,834	15,213	8,783
Japanese Yen (JPY)	1,438,577	295,283	1,437,940	287,407
Chinese Yuan (CNY)	85,380	92,914	-	-
United States Dollars (USD)	6,157	1,918	6,157	1,918
Total	<u>1,545,416</u>	<u>398,949</u>	<u>1,459,310</u>	<u>298,108</u>

## 18. EMPLOYEE BENEFIT OBLIGATIONS

18.1 The Company provided employee benefit obligations under the Labour protection Act, which are considered as unfunded defined benefit plans.

Movements in the present value of the employee benefit obligations for the years ended December 31, 2019 and 2018 are as follows:

The statements of financial position

	In Thousand Baht			
	Consolidated Financial Statements		Separate Financial Statements	
	As at December 31,		As at December 31,	
	2019	2018	2019	2018
Defined benefit obligations, at the beginning of the year	18,860	17,167	18,860	17,167
Profit from the estimate base on actuarial	(1,542)	-	(1,542)	-
Service cost and interest cost in the past				
- Adjustment in past - employment benefit plan	4,539	2,121	4,539	2,121
Current service costs and interest	2,428	(654)	2,428	(654)
Employee benefit obligations paid	(510)	-	(510)	-
Exchange differences on translating financial statement	-	226	-	226
Defined benefit obligations, at the end of the year	<u>23,775</u>	<u>18,860</u>	<u>23,775</u>	<u>18,860</u>

**M.C.S. STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS (CONT.)**

**DECEMBER 31, 2019**

18.2 Expenses recognized in the statement of comprehensive income for the year ended December 31, 2019 and 2018 are as follows :

	In Thousand Baht			
	Consolidated Financial Statements		Separate Financial Statements	
	For the year ended December 31,		For the year ended December 31,	
	2019	2018	2019	2018
<b>The statement of comprehensive income</b>				
<b>Recognized in profit or loss</b>				
Service cost and interest cost in the past	4,539	-	4,539	-
Current service costs	1,894	1,684	1,894	1,684
Interest on obligation	534	437	534	437
Total	6,967	2,121	6,967	2,121

On April 5, 2019, the Labour Protection Act has been enacted in the Royal Gazette. The Labour Protection Act includes a requirement that an employee who is terminated after having been employed by the same employer for an uninterrupted period of 20 years or more, receives severance payment of 400 days of wages at the most recent rate, which is increased from the current maximum rate of 300 days. This Act shall come into force after the expiration of thirty days from the enacted date in the Royal Gazette onwards. This change is considered a post-employment benefits plan amendment. The effect of the change is recognized past service costs as expenses in the income statement.

18.3 The main assumptions in the assessment financial assumptions

For the year ended December 31, 2019 and 2018	Percentage			
	Consolidated Financial Statement		Separate Financial Statement	
	2019	2018	2019	2018
Discount rate	2.50	2.75	2.50	2.75
Salary increase rate	5.00	5.00	5.00	5.00
Employee turnover rate	0 - 45.84	0 - 45.84	0 - 45.84	0 - 45.84
	(200% of Thai Standard Table)	(200% of Thai Standard Table)	(200% of Thai Standard Table)	(200% of Thai Standard Table)
Mortality rate	75 of Mortality Table 2017	75 of Mortality Table 2008	75 of Mortality Table 2017	75 of Mortality Table 2008

Assumptions regarding future mortality are based on published statistics and mortality tables.

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**NOTES TO FINANCIAL STATEMENTS (CONT.)**

**DECEMBER 31, 2019**

- 18.4 Gain and loss from the estimate based on actuarial principles recognized in the statement of comprehensive income for the year ended December 31, 2019 and 2018 arise from

Recognize in other of comprehensive income

	In Thousand Baht			
	Consolidated Financial Statements		Separate Financial Statements	
	2019	2018	2019	2018
Improvement from experience	(2,193)	-	(2,193)	-
Population assumption	218	-	218	-
Financial assumption	433	-	433	-
Total	(1,542)	-	(1,542)	-

- 18.5 Sensitivity analysis

The results of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligations as at December 31, 2019 and 2018 are summarized below :

	In Thousand Baht							
	Consolidated Financial Statements				Separate Financial Statements			
	2019		2018		2019		2018	
	increase	decrease	increase	decrease	increase	decrease	increase	decrease
Discount rate (Changing 0.5%)	(88)	80	(621)	661	(88)	80	(621)	661
Future salary increase rate (Changing 1%)	206	(195)	1,481	(1,328)	206	(195)	1,481	(1,328)

**19. PROVISIONS FOR WARRANTY**

	In Thousand Baht	
	Consolidated financial statements	Separate financial statements
<b>Balance as at January 1, 2018</b>	109,743	108,832
Provisions increased	23,683	23,683
Provisions used	(12,206)	(12,206)
Provisions reversed	-	-
Translation of financial statements differences	1,459	1,436
<b>Balance as at December 31, 2018</b>	122,679	121,745
Provisions increased	26,554	26,554
Provisions used	(837)	(837)
Provisions reversed	(72,560)	(72,520)
Translation of financial statements differences	(55)	-
<b>Balance as at December 31, 2019</b>	75,781	74,942

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**NOTES TO FINANCIAL STATEMENTS (CONT.)**

**DECEMBER 31, 2019**

**20. TREASURY SHARES AND TREASURY SHARE RESERVE**

At the Board of Directors' Meeting No.8/2015, held on September 22, 2015, the Company's directors resolved to approve the share repurchase program for financial management purposes in the amount not exceeding Baht 500 million. The number of ordinary shares to be repurchased is 50 million shares (par value of Baht 1 per share), which is not exceeding 10% of the total number of paid-up share capital of the Company. The Company shall repurchase its ordinary shares through the Stock Exchange of Thailand during the period from October 12, 2015 to April 11, 2016.

At the Board of Directors' Meeting No.5/2017, held on May 12, 2017, the Company's directors resolved to approve the share repurchase program for financial management purposes in the amount not exceeding Baht 380 million. The number of ordinary shares to be repurchased is 23 million shares (par value of Baht 1 per share), which is not exceeding 10% of the total number of paid-up share capital of the Company. The Company shall repurchase its ordinary shares through the Stock Exchange of Thailand during the period from September 1, 2017 to November 30, 2017.

During the year 2018, according to the minutes of the meeting No.7/2018 held on August 9, 2018, the Company was approved for the sale of ordinary shares buy back in total 27 million shares. The sale of such ordinary share buy back was carried in the stock market by defining the sale price of ordinary share buy back from the market price of the shares as at the selling date. The Company has recorded the difference of the higher (lower) selling price than the purchase price of the ordinary shares buy back in "Surplus of ordinary shares buy back" under shareholders' equity and reversed the ordinary shares buy back reserve to unallocated retained earnings.

As at December 31, 2018, the details of the treasury shares are as follows:

	Consolidated financial statements/Separate financial statements				
	Cost price of treasury shares			Sale price of	Premium (discount)
	Balance as at	Distributed	Balance as at	treasury shares	on treasury
	January 1, 2018	during the year	December 31, 2018		shares as at
					December 31, 2018
The number of treasury shares (Thousand shares)	50,000	(27,000)	23,000	27,000	
The value of treasury stock (Thousand Baht)	643,070	(347,258)	295,812	193,648	(153,610)
Average price per share (Baht)	12.86	12.86	12.86	7.17	
Percentage of the number of treasury shares					
To the number of shares issued by the Company	10.00	5.40	4.60		

As at December 31, 2019, treasury shares had not changed from December 31, 2018

**M.C.S. STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS (CONT.)**

**DECEMBER 31, 2019**

**TREASURY SHARE RESERVE**

The Notification of the Office of the Securities and Exchange Commission No. Kor.Lor.Tor. Chor.Sor.(Wor.) 2/2005 and the Notification of the Federation of Accounting Professions No.Sor.Sor.Wor. Bor. Chor. 016/2005 have a guideline for the public companies who repurchase their own shares to have the outstanding balance of treasury shares not exceeding the retained earnings and are required to appropriate their retained earnings to the treasury share reserve equal to the amount paid to acquire the shares. The Company has appropriated the retained earnings as reserve for treasury shares buy back in the full amount.

**21. PREMIUM ON ORDINARY SHARES**

Section 51 of the Public Companies Act B.E. 2535 requires companies to set aside share subscription monies received in excess of the par value of the shares issued to a reserve account (“share premium”). Share premium is not available for dividend distribution.

**22. LEGAL RESERVE**

Section 116 of the Public Companies Act B.E. 2535 requires that a public company shall allocate not less than 5% of its annual net profit, less any accumulated losses brought forward, to a reserve account (“legal reserve”), until this account reaches an amount not less than 10% of the registered authorised capital. The legal reserve is not available for dividend distribution.

**23. PROVIDENT FUND EXPENSE**

Provident fund contributions made by the Company for its employees and recorded as expense in the statements of comprehensive income for the years ended December 31, 2019 and 2018, are as follows:

	In Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	For the years ended December 31,		For the years ended December 31,	
	2019	2018	2019	2018
Provident fund contribution	3,853	3,376	3,853	3,376

**Defined contribution plans**

The defined contribution plans comprise provident funds established by the Company for its employees. Membership to the funds is on a voluntary basis. Contributions are made monthly by the employees at rates ranging from 3% to 13% of their basic salaries and by the Company at rates ranging from 3% to 13% of the employees’ basic salaries. The provident funds are registered with the Ministry of Finance as juristic entities and are managed by a licensed Fund Manager.



**M.C.S. STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS (CONT.)**

**DECEMBER 31, 2019**

**24. EXPENSES BY NATURE**

Significant expenses by nature for the years ended December 31, 2019 and 2018 were as follows :

	In Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Changes in of finished goods and work in progress				
(increase) decrease	154,618	(189,619)	129,527	(171,984)
Raw materials used	1,390,266	1,415,995	1,143,226	1,168,633
Indirect material and consumables used	137,445	110,312	133,834	107,816
Personnel expenses	360,358	302,363	316,427	256,373
Subcontract cost	343,503	17,130	317,307	294,736
Depreciation and amortisation	122,387	139,080	106,672	127,235
Rework and repair expenses	58,936	27,712	58,936	66,486
Drawing expenses	44,251	9,369	44,251	22,921
Repair and maintenance expenses	21,359	27,149	17,887	23,941
Freight expenses	267,068	250,586	267,068	250,642
Transportation	17,388	19,342	15,167	18,294

**25. PROMOTIONAL PRIVILEGES**

25.1 By virtue of the provisions of the Industrial Investment Promotion Act of B.E. 2520, the Company has been granted by the Board of Investment (“BOI”) for the Board of Investment Certificate No 1696(2)/2558 which is the privileges relating to the manufacturing of gasket under Fabrication of metal structure products or platform repair. The privileges granted include:

- (a) exemption from payment of import duty on machinery approved by the BOI;
- (b) exemption from import duty on raw materials and essential materials imported for use specifically in producing for export for a period of one year as from the date of first import;
- (c) exemption from import duty on import goods to export for a period of one year as from the date of first import;
- (d) exemption from payment of income tax for certain operations for a period of five years from the date on which the income is first derived from such operations at 100% of the amount invested excluding land and working capital, limit at the maximum of Baht 160.86 million (income starts from January 1, 2015 to December 31, 2019).
- (e) exemption from dividends paid from promoted operations which are exempted from corporate income tax are exempted from inclusion in the determination of income tax for the period that exemption from payment of corporate income tax.

**M.C.S. STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS (CONT.)**  
**DECEMBER 31, 2019**

As a promoted company, the Company must comply with certain terms and conditions prescribed in the promotional certificate.

25.2 By virtue of the provisions of the Industrial Investment Promotion Act of B.E. 2520, the Company has been granted by the Board of Investment (“BOI”) for the Board of Investment Certificate No 59-1184-0-00-1-0 which is the privileges relating to the manufacturing of gasket under Fabrication of metal structure products or platform repair. The privileges granted include:

- (a) exemption from payment of import duty on machinery approved by the BOI;
- (b) exemption from import duty on raw materials and essential materials imported for use specifically in producing for export for a period of one year as from the date of first import;
- (c) exemption from import duty on import goods to export for a period of one year as from the date of first import;
- (d) exemption from payment of income tax for certain operations for a period of five years from the date on which the income is first derived from such operations at 100% of the amount invested excluding land and working capital, limit at the maximum of Baht 340.31 million (income starts from January 30, 2017 To February 1, 2023).
- (e) exemption from dividends paid from promoted operations which are exempted from corporate income tax are exempted from inclusion in the determination of income tax for the period that exemption from payment of corporate income tax.

Summary of revenue from promoted and non-promoted businesses for the years ended December 31, 2019 and 2018 are as follow:

	Separate Financial Statement (In Thousand Baht)					
	For the year ended December 31,					
	Promoted operations		Non-promoted operations		Total	
	2019	2018	2019	2018	2019	2018
Revenue from domestic sales	119,367	91,308	559,546	213,377	678,913	304,685
Revenue from export sales	1,399,013	1,425,678	1,092,039	1,402,117	2,491,052	2,827,795
Total revenue	<u>1,518,380</u>	<u>1,516,986</u>	<u>1,651,585</u>	<u>1,615,494</u>	<u>3,169,965</u>	<u>3,132,480</u>

**M.C.S. STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS (CONT.)**

**DECEMBER 31, 2019**

**26. BASIC EARNINGS (LOSS) PER SHARE**

The calculations of earnings (loss) per share for the year ended December 31, 2019 and 2018 were based on the profit (loss) for the year attributable to ordinary shareholders of the Company and the number of weighted outstanding ordinary shares during the year held by shareholder as follows:

	In Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Profit (loss) attributable to ordinary				
Shareholders of the Company (Thousand Baht)				
- Owners of the Company	608,539	416,932	600,494	451,121
Basic earnings (loss) per share (Baht)	1.28	0.91	1.26	0.99
Issued and paid-up share capital				
Number of ordinary shares as at January 1, (Thousand Shares)	477,000	450,000	477,000	450,000
Less Treasury shares (Thousand Shares)	-	-	-	-
Add Disposal treasury shares (Thousand Shares)	-	27,000	-	27,000
Number of ordinary shares as at December 31, (Thousand Shares)	<u>477,000</u>	<u>477,000</u>	<u>477,000</u>	<u>477,000</u>
Weighted average number of ordinary shares (Thousand Shares)	<u>477,000</u>	<u>456,641</u>	<u>477,000</u>	<u>456,641</u>

**27. DIVIDENDS**

On April 3, 2018, the Annual General Meeting of the Company's shareholders passed a resolution to approve the payment of dividends from the operation for the year 2017 of Baht 0.40 per share, totaling Baht 180.00 million. The dividends of Baht 180.00 million were paid to the shareholders on May 7, 2018.

On April 8, 2019, the Annual General Meeting of the Company's shareholders passed a resolution to approve the payment of dividends from retained earnings of Baht 0.50 per share, totaling Baht 238.49 million. The dividends of Baht 238.49 million were paid to the shareholders on April 29, 2019.

On November 8, 2019, the Board of Directors Meeting passed a resolution to approve the payment of dividends from the operation in nine-month period of 2019 to shareholders of Baht 0.25 per share, totaling Baht 125 million. The dividends of Baht 125 million were paid to the shareholders on December 4, 2019.

**M.C.S. STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS (CONT.)**

**DECEMBER 31, 2019**

**28. FINANCIAL INSTRUMENTS**

**Financial risk management policies**

The Group is exposed to normal business risks from changes in market interest rates and currency exchange rates and from non-performance of contractual obligations by counterparties. The Group does not hold or issue derivative financial instruments for speculative or trading purposes.

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group risk management process to ensure that an appropriate balance between risk and control is achieved.

**Capital management**

The Board of Directors' policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors the return on capital, which the Group defines as result from operating activities divided by total shareholders' equity, excluding non-controlling interests and also monitors the level of dividends to ordinary shareholders.

**M.C.S. STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS (CONT.)**

**DECEMBER 31, 2019**

**Foreign currency risk**

The Group is exposed to foreign currency risk relating to purchases and sales which are denominated in foreign currencies.

As at December 31, 2019 and 2018, the Group were exposed to foreign currency risk in respect of financial assets and liabilities denominated in the following currencies:

		In Thousand Baht			
		Consolidated financial statements		Separate financial statements	
	Notes	2019	2018	2019	2018
<b>Thai Baht (BAHT)</b>					
Cash and cash equivalents	6	139,420	663,449	55,397	582,463
Trade account receivables	8	113,940	217,966	113,940	217,966
Accrued Income	8	82,006	-	82,006	-
Trade account payables	17	(15,302)	(8,834)	(15,213)	(8,784)
<b>Net exposure</b>		<b>320,064</b>	<b>872,581</b>	<b>236,130</b>	<b>791,645</b>
<b>Chinese Yuan (CNY)</b>					
Cash and cash equivalents	6	130,555	67,206	-	-
Trade accounts receivable	8	6,193	1,010	-	-
Short-term loan	16	-	(70,855)	-	-
Trade account payables	17	(85,380)	(92,914)	-	-
<b>Net exposure</b>		<b>51,368</b>	<b>(95,553)</b>	<b>-</b>	<b>-</b>
<b>United States Dollars (USD)</b>					
Cash and cash equivalents	6	50,054	43,174	37,495	43,174
Trade accounts payables	17	(6,157)	(1,918)	(6,157)	(1,918)
<b>Net exposure</b>		<b>43,897</b>	<b>41,256</b>	<b>31,338</b>	<b>41,256</b>

**Credit risk**

Credit risk is the potential financial loss resulting from the failure of a customer or counterparty to settle its financial and contractual obligations to the Group as and when they fall due.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. At the reporting date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

**M.C.S. STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS (CONT.)**

**DECEMBER 31, 2019**

**Liquidity risk**

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group operations and to mitigate the effects of fluctuations in cash flows.

**Determination of fair values**

A number of the Group accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

As most of the Group financial assets and financial liabilities are short term in natures. The Group management believe that the carrying amounts of the financial assets and liabilities approximate to their fair values with no materially effect on the Group operating results.

**29. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES**

Changes in the liabilities arising from financing activities for the years ended December 31, 2019 and 2018 are as follows:

	Consolidated financial statements (Thousand Baht)				
	Balance as at January 1, 2019	Cash flows Increase (decrease)*	Non-cash transaction		Balance as at December 31, 2019
			Increase	Acquisition of subsidiary	Differences on translation of financial statements
Short-term borrowings from financial institutions	160,846	(160,846)	-	-	-
Liabilities under a finance lease agreement	1,214	(1,404)	3,461	-	(43)
Total	162,060	(162,250)	3,461	-	(43)

	Consolidated financial statements (Thousand Baht)				
	Balance as at January 1, 2018	Cash flows Increase (decrease)*	Non-cash transaction		Balance as at December 31, 2018
			Increase	Acquisition of subsidiary	Differences on translation of financial statements
Short-term borrowings from financial institutions	164,436	(3,218)	-	-	(372)
Liabilities under a finance lease agreement	10,602	(9,388)	-	-	-
Total	175,038	(12,606)	-	-	(372)

\* Financing cash flows included net proceed and repayment cash transactions in the statements of cash flows.

**M.C.S. STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS (CONT.)**

**DECEMBER 31, 2019**

**30. COMMITMENTS WITH NON-RELATED PARTIES**

30.1 Commitments with non-related parties which are obligations from non-cancellable operating lease agreements. The Group entered into operating lease agreements with a local company for periods of 48 months in which the Company has to pay as the following:

	In Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	As at December 31,		As at December 31,	
	2019	2018	2019	2018
<b>Term of payment</b>				
Less than one year	2,757	1,560	1,646	1,158
More than one year but not exceed five years	2,688	2,825	2,079	912
More than five years	150	-	150	-
Total	5,595	4,385	3,875	2,070

30.2 Details of other commitments as at December 31, 2019 and 2018 were as follows:

	In Thousand Baht							
	Consolidated financial statements				Separate financial statements			
	Foreign Currency		Equivalent to Baht		Foreign Currency		Equivalent to Baht	
	As at December 31,		As at December 31,		As at December 31,		As at December 31,	
	2019	2018	2019	2018	2019	2018	2019	2018
<b>Other commitments</b>								
Raw materials purchases								
- JPY	827,385	-	231,339	-	827,385	-	231,339	-
- BAHT			18,242	5,120			18,242	5,120
Total			249,581	5,120			249,581	5,120
Construction material purchase								
- BAHT			-	-			-	-
Other								
- BAHT			16,298	12,939			6,684	2,750
Letter of credit								
- JPY	339,499	345,094	93,681	107,189	339,499	345,094	93,681	107,189
Letters of guarantee for subsidiary								
- JPY	-	300,000	-	87,926	-	300,000	-	87,926

**M.C.S. STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS (CONT.)**

**DECEMBER 31, 2019**

The Group certain fixed deposit land and building were mortgaged or collateral and there is restriction on certain machinery for the above credit facilities, as at December 31, 2019 and 2018, the Company has unutilized credit facilities from a financial institution as follows:

	In Thousand Baht			
	Consolidated financial statements		Separate financial statements	
	As at December 31,		As at December 31,	
	2019	2018	2019	2018
Bank overdrafts limit	5,000	5,000	5,000	5,000
Trust receipt, Letter of credit and packing credit limit	88,048	821,466	88,048	821,466
Aval promissory note limit	10,000	10,000	10,000	10,000
Letter of guarantee limit	979,253	144,241	979,253	144,241
	<u>1,082,301</u>	<u>980,707</u>	<u>1,082,301</u>	<u>980,707</u>

**31. SIGNIFICANT AGREEMENTS WITH RELATED PARTIES**

**31.1 Steel-frame product service agreement**

The Company entered into a steel frame product service agreement with MIHAMA STEEL LOGISTICS CO., LTD. to obtain the logistic services for shipping the goods to port in Japan, which included coordination with the customer, loading and storage until delivery. As well as the inspection services, additional repair any damage on ship. The service fee is based on weight or project volume as the condition in agreements and relevant market considerations. On the condition, unless either party thereto gives written notice to the other of its intention to terminate this agreement not later than 6 months prior to the expiration date.

**31.2 Service agreement**

The Company entered into a fabrication steel service agreement with M.C.S. Steel (Xiamen) Co., Ltd. to conduct the fabrication work according to design drawing and to delivery according to the project schedule. Under the agreement the Company has to prepay for material to M.C.S. Steel (Xiamen) Co., Ltd. to provide procurement main steel materials used in the project as requirement identifying in agreement.

**31.3 Hiring job search agent agreement**

The Company entered into job search agreement with Nippon Steel & Sumitomo Metal Corporation. Such company will be an agent in negotiating with the new customers. The period of the agreement is from April 1, 2018 to March 31, 2019 with the rate of service fee specified in agreement.



**M.C.S. STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS (CONT.)**

**DECEMBER 31, 2019**

On December 1, 2018, the Company entered into job search agreement with Creation Import Distribution Inc. Such company will be an agent in negotiating with the new customers under the rate of service fee specified in 2 year agreement. If either party does not give the advance notice not less than 3 months, it considers as the extension of this agreement.

**32. CONTINGENT LIABILITIES**

The Company was liable to banks in respect to the following guarantees:

	In Thousand Baht							
	Consolidated financial statements				Separate financial statements			
	Foreign Currency		Equivalent to Baht		Foreign Currency		Equivalent to Baht	
	As at December 31,		As at December 31,		As at December 31,		As at December 31,	
	2019	2018	2019	2018	2019	2018	2019	2018
Electricity usage								
- BAHT	-	-	7,709	7,709	-	-	7,709	7,709
Product delivery								
- BAHT	-	-	39,936	38,050	-	-	39,936	38,050
- JPY	949,852	-	262,102	-	949,852	-	262,102	-
	949,852	-	302,038	38,050	949,852	-	302,038	38,050
Set up factory								
- BAHT	-	-	1,000	-	-	-	1,000	-

**33. SEGMENT INFORMATION**

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance.

For management purposes, the company and its subsidiaries are organized into business units based on their products and services. The company and its subsidiaries services have two reportable segments as follows:

Segment 1	Local
Segment 2	Overseas

**M.C.S. STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS (CONT.)**

**DECEMBER 31, 2019**

Information about reportable segments for the years ended December 31, 2019 and 2018 were as follows:

In Thousand Baht																					
For the years ended December 31,																					
Thailand										Overseas						Elimination of inter-segment revenues				Total	
Local		Local		Fabrication including installation of structural steel		Overseas		Total		Japan		China		Total							
Real estate		Fabrication and sell of structural steel				Fabrication and sell of structural steel				Fabrication and sell of structural steel		Fabrication and sell of structural steel									
2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018		
Geographical segment																					
Revenue from external customers		-	72,887	417,235	304,685	261,679	-	2,491,051	2,827,795	3,169,965	3,205,367	61,289	42,893	69,090	-	130,379	42,893	-	-	3,300,344	3,248,260
Inter-segment revenue		-	-	-	-	-	-	-	-	-	-	52,136	58,175	268,071	414,821	320,207	472,996	(320,207)	(472,996)	-	-
Total revenue from sale and service																				3,300,344	3,248,260
Reportable segment profit before income tax expense										627,543	474,332					16,384	(34,122)	-	-	643,927	440,210
Reportable segment assets										4,941,586	3,767,724					154,907	266,093	-	-	5,096,493	4,033,817

**M.C.S. STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS (CONT.)**  
**DECEMBER 31, 2019**

**34. FUNCTIONAL CURRENCY FINANCIAL STATEMENTS**

The statements of financial position as at December 31, 2019 and 2018 and statements of comprehensive income for the year ended December 31, 2019 and 2018 presented in JPY currency which is used in its operations as major sales and purchases transaction are denominated in JPY currency. The detail are as follows:

**Statements of financial position**

	In Thousand Yen			
	Consolidated financial statements		Separate financial statements	
	As at December 31,		As at December 31,	
	2019	2018	2019	2018
<b>Asset</b>				
Current assets				
Cash and cash equivalents	1,738,391	3,085,486	710,875	2,489,033
Trade and other receivables	4,338,815	2,654,855	5,093,666	1,909,095
Inventories	7,024,667	3,853,232	6,584,306	3,570,037
Total current assets	13,101,873	9,593,573	12,388,847	7,968,165
Non-current assets				
Loan to related party	-	-	1,585,000	1,000,000
Loan to employee	298,429	240,138	298,429	240,138
Investments in associates	-	-	-	-
Investments in subsidiary	-	-	952,454	952,454
Property, plant and equipment	4,743,612	4,693,064	2,889,681	2,825,692
Goodwill	74,523	74,523	-	-
Prepaid rental expense (Land leasehold)	447,649	502,848	-	-
Intangible assets	37,068	22,084	21,785	13,661
Deferred tax assets	12,858	27,279	12,858	27,279
Other non-current assets	2,100	2,000	127	28
Total non-current assets	5,616,239	5,561,936	5,760,334	5,059,252
<b>Total assets</b>	<b>18,718,112</b>	<b>15,155,509</b>	<b>18,149,181</b>	<b>13,027,417</b>

**M.C.S. STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS (CONT.)**  
**DECEMBER 31, 2019**

**Statements of financial position (continued)**

	In Thousand Yen			
	Consolidated financial statements		Separate financial statements	
	As at December 31,		As at December 31,	
	2019	2018	2019	2018
<b>Liabilities and shareholders' equity</b>				
Current liabilities				
Short-term loan from financial institution	-	541,636	-	-
Trade and other payables	6,798,170	3,610,556	6,457,570	2,092,049
Current portion of financial lease	3,270	3,494	1,989	-
Income tax payable	277	505	-	325
Total current liabilities	6,801,717	4,156,191	6,459,559	2,092,374
Non-current liabilities				
Financial lease	8,275	596	7,099	-
Deferred income tax liabilities	134,740	155,938	-	-
Employee benefit obligations	85,033	63,511	85,033	63,511
Provision for warranty	271,031	413,110	268,032	409,966
Other provision	-	2,795	-	2,795
Total non-current liabilities	499,079	635,950	360,164	476,272
Total liabilities	7,300,796	4,792,141	6,819,723	2,568,646
Shareholders' equity				
Share capital				
Authorized share capital	1,330,549	1,330,549	1,330,549	1,330,549
Issued and paid-up share capital	1,330,549	1,330,549	1,330,549	1,330,549
Premium on ordinary shares	371,008	371,008	371,008	371,008
Premium (discount) on treasury shares	(464,627)	(464,627)	(464,627)	(464,627)
Difference from change in shareholding proportion in subsidiary	(50,868)	(50,868)	-	-
Retained earnings				
Appropriated				
Legal reserve	153,579	153,579	153,579	153,579
Treasury share reserve	976,223	976,223	976,223	976,223
Unappropriated	9,411,277	8,515,964	9,938,949	9,068,262
Other components of shareholder's equity	446,022	325,091	-	-
Equity attributable to owners of the Company	12,173,163	11,156,919	12,305,681	11,434,994
Less treasury share	(976,223)	(976,223)	(976,223)	(976,223)
Non-controlling interest	220,376	182,672	-	-
Total shareholders' equity	11,417,316	10,363,368	11,329,458	10,458,771
<b>Total liabilities and shareholders' equity</b>	<b>18,718,112</b>	<b>15,155,509</b>	<b>18,149,181</b>	<b>13,027,417</b>

**M.C.S. STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS (CONT.)**  
**DECEMBER 31, 2019**

**Statements of comprehensive income**

	In Thousand Yen			
	Consolidated financial statements		Separate financial statements	
	For the years ended December 31,		For the years ended December 31,	
	2019	2018	2019	2018
Revenues				
Revenue from sales and rendering of services	11,610,404	11,095,968	11,153,353	10,695,944
Other incomes	171,387	150,060	174,831	139,826
Gain on exchange rate	30,377	-	12,786	-
Total revenues	11,812,168	11,246,028	11,340,970	10,835,770
Expenses				
Cost of sales of goods and rendering of services	7,554,726	7,385,034	7,416,465	7,311,361
Selling expenses	1,057,207	1,154,676	1,057,207	1,154,866
Administrative expenses	774,439	945,292	542,272	542,104
Loss on exchange rate	-	81,129	-	81,549
Management benefit expenses	125,629	131,621	93,128	105,411
Finance costs	26,710	36,226	18,503	13,743
Total expenses	9,538,711	9,733,978	9,127,575	9,209,034
Profit before income tax revenue (expense)	2,273,457	1,512,050	2,213,395	1,626,736
Income tax revenue (expense)	(87,435)	(68,298)	(96,539)	(80,277)
<b>Profit (loss) for the year</b>	<b>2,186,022</b>	<b>1,443,752</b>	<b>2,116,856</b>	<b>1,546,459</b>
<b>Other comprehensive income (loss)</b>				
Item that may be reclassified subsequently to profit or loss				
Exchange differences on translating financial statements	120,931	(115,223)	-	-
Item that will not be reclassified subsequently to profit or loss				
Actuarial gains for employee benefit plan	5,335	-	5,335	-
Income tax relating to other comprehensive income	(1,067)	-	(1,067)	-
Total Other comprehensive income (loss)				
- net income tax	125,199	(115,223)	4,268	-
<b>Total comprehensive income for the year</b>	<b>2,311,221</b>	<b>1,328,529</b>	<b>2,121,124</b>	<b>1,546,459</b>

**M.C.S. STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS (CONT.)**  
**DECEMBER 31, 2019**

**Statements of comprehensive income (continued)**

	In Thousand Yen			
	Consolidated financial statements		Separate financial statements	
	For the year ended December 31,		For the year ended December 31,	
	2019	2018	2019	2018
Share of profit (loss) attributable to :				
Owners of the Company	2,148,318	1,476,044	2,116,856	1,546,459
Non-controlling interest	37,704	(32,292)	-	-
Profit for the year	2,186,022	1,443,752	2,116,856	1,546,459
Share of profit (loss) of total comprehensive income				
Owners of the Company	2,273,517	1,360,821	2,121,124	1,546,459
Non-controlling interest	37,704	(32,292)	-	-
Total comprehensive income for the year	2,311,221	1,328,529	2,121,124	1,546,459
<b>Earnings (loss) per share</b>				
Basic earnings per share (Yen)	4.50	3.23	4.44	3.39
Number of weighted ordinary shares (thousand shares)	477,000	456,641	477,000	456,641

**35. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved for issue by the Board of Directors on February 24, 2020.