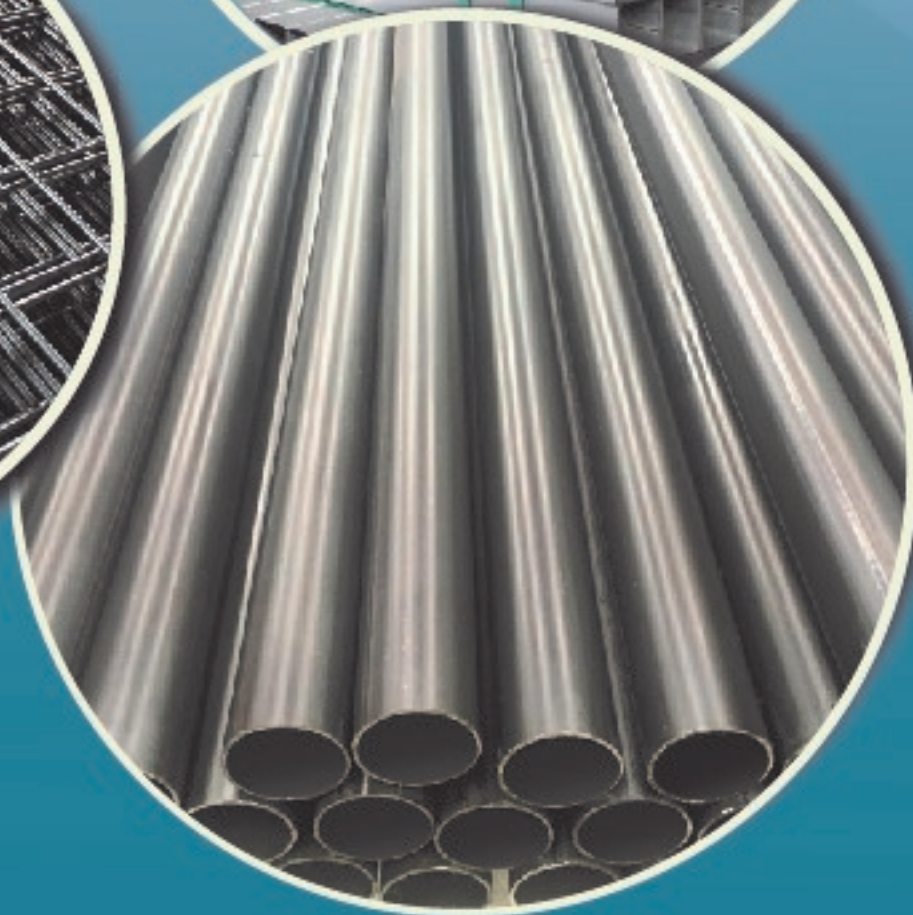
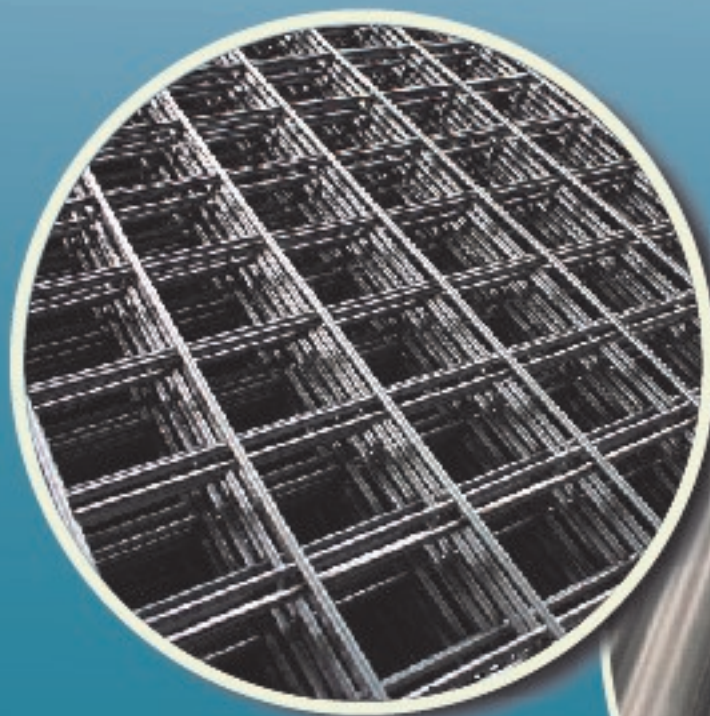
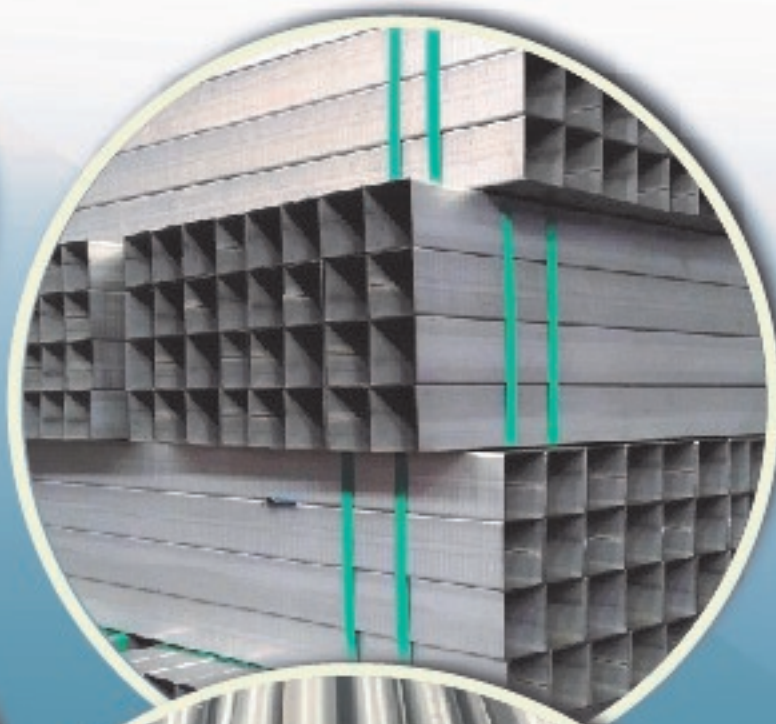
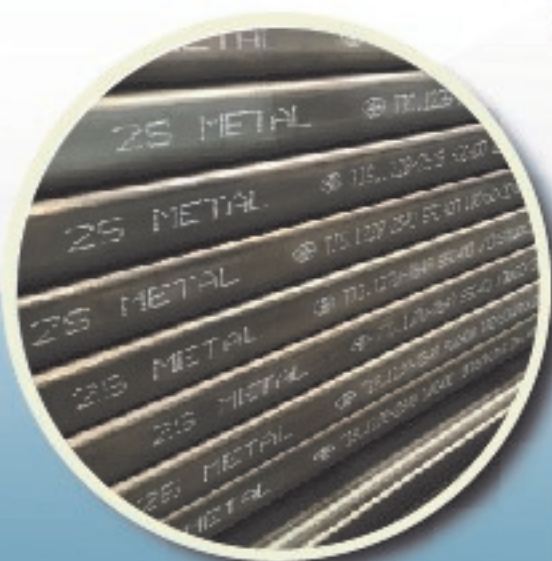


Annual Report 2018

รายงานประจำปี 2561



2S Metal Public Company Limited
บริษัท 2 เอส เมทัล จำกัด (มหาชน)



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Business Goals

The main goal of the Company is to become a domestic steel entrepreneur that can produce and distribute steel product as a One-Stop Service Center that is well-known. The Company has a policy to produce and distribute products with manufacturing process that meets the Thai industrial standard using standard machinery, and to respond to customers' requirement quickly and efficiently for the highest customer satisfaction.

Production policy of the Company is set to perform at the highest capability and to control cost of production so it is at the lowest level. Lowering losses in manufacturing process, running at full capacity, and performing machinery maintenance regularly will be a cost advantage and increase its competitive advantage in the long run. This will lead to the highest return to the Company's shareholders.

Vision

"To be a steel producer and distributor committed to bringing maximum customer satisfaction."

Mission

1. To produce and procure a diversified and complete suit of steel products for the customers.
2. To develop effective logistics system to serve customers more conveniently, quickly and cost-effectively through cooperation with business partners.
3. To develop and encourage personnel to uphold morality, have high performance and be happy in the organization.




โทร. 1228 - 2549
 โทร. 1479 - 2541
 โทร. 528 - 2548
 โทร. 107 - 2533
 โทร. 737 - 2549
 โทร. 747 - 2531



" Investors can find more information from the Company's Annual Registration Statement (Form 58-1) at

www.sec.or.th or Company's website at www.ss.co.th"

Company's Profile

Company Name	: Southern Steel Public Company Limited
Symbol	: S2
Registration Number	: 0107551000100
Nature of Business	: Manufacturing and Distribution of steel products, comprising steel sheet, steel pipe, light lip channel, wire mesh and trading of steel products.
Registered capital	: 549,999,244 Baht
Paid-up capital	: 449,998,800 Baht
Shares type	: Ordinary shares
Par Value	: 1 Baht per share
Head Office and	: 8/5 Moo 14, Tha-chang, Bangklam District, Plant Location Songkhla Province 90110 Tel : 074-800111 Facsimile : 074-801286
website	: www.ss.co.th
CG Report	: 
Suratthani Warehouse	: 24/19 Moo 4, Karnjanavithi Road, Bangkung, Muang District, Suratthani Province 84000 Tel : 077-289957-8 Facsimile : 077-224664
Bangkok Branch	: 200 Phutthamonthon 3 rd., NongKhangPhlu, NongKhaem, Bangkok 10160 Tel: 082-7349461-3 Facsimile: 02-8075634
Korat Branch	: 147 Moo 9, Nong-Ngulueam, ChaloenPhraKiat, Nakhonratchasima Province 30330 Telephone : 044-207247-51 Facsimile : 044-207272
Board Office	: 1 Q- House Lumpini flr. 27 th , South Sathorn Rd., Tungmahamek, Sathorn, Bangkok 10120 Telephone : 02-6103883 Facsimile : 02-6103871
Share Registrar	: Thailand Securities Depository Company limited 93 Rachadapisek Rd., DinDeang, Bangkok 10400 Telephone : 02-0099000 Facsimile : 02-0090991
Auditor	: Mr. Somchid Tiatragul, CPA. No. 2785 Ms. Kanyanat Sriratchatchaval, CPA. No. 6549 Mr. Teerasak Chuasrisakul, CPA. No. 6624 Mr. Narint Juramongkol, CPA. No. 8593 Grant Thornton Limited 18th Floor Capital Tower, All Seasons Place 87/1 Wireless Road, Lumpini, Pathumwan, BKK10330 Thailand, Tel: +662 205 8222

Message from the Board of Director

Overview of the domestic steel industry in 2018 has a limited growth rate, according to the government and private investment projects that slowed down in the second half of the year. This is because of the waiting for the clarity of the elections in 2019, combined with the movement about the trade measures between the United States and China that came out. All affected the steel industry operators in the country.

However, in 2018, the company still maintained the growth rate. Both sales and sales volume increased by 20% and 13% respectively. Nevertheless, with pressure from economic conditions and fluctuations in steel prices, it resulted in a decrease in net profit of 105.38 million baht from the previous year due to the higher competition situation. The company could not increase the selling price in time to increase the cost of the product.

In the past year, the company studied the way to use technology to help reduce the production cost, such as the investment in the solar roof installation and using information technology systems to manage various aspects. The objective is be more effective and up to date with the rapidly changing circumstances at present time.

Because of management commitment to create performance together with good corporate governance on the basis of continuous social and environmental responsibility, the year 2018, the Company received the SET Awards 2018 on the outstanding performance of the company 'Outstanding Company Performance Awards 2018'. The Company continues to focus on business operations to achieve the objectives, taking into account all stakeholders of the society.

Finally, on behalf of the Board of Directors, I would like to thank all of shareholders, customers, distributors, business alliances, financial institutions, and public and private entities, as well as the management members and employees for their consistent supports all along. Please be assured that we will continue developing our business in order to generate quality products with high standard and security, and bring about ongoing business growth and achievement of targets on a transparent basis and under corporate governance principles.

Dr. Kanchit Singсуwan
Chairman

Mr. Sombat Leeswadtrakul
Chief of Executive Officer

Financial Highlights

Consolidate (MB)	2016	2017	2018
Revenue form sales	3,936.43	4,523.72	5,449.51
Gross income	599.37	558.94	357.49
Net - income	341.83	284.69	105.55
Total Assets	1,753.84	1,929.31	1,857.46
Total Liabilities	704.23	649.00	543.27
Shareholders' Equity	1,052.94	1,280.31	1,351.88
Issued and paid-up shares	300	400	450

Financial Ratio	2016	2017	2018
Gross Profit Margin (%)	15.23	12.36	6.56
Net Profit Margin(%)	8.69	6.29	1.93
Earning per Share (Baht)	1.14	0.71	0.23
Book Value per Share (Baht: Share)	3.25	3.04	2.95
Return on Asset (%)	29.69	20.07	7.67
Return on Equity (%)	37.78	24.39	8.13
Debt to Equity ratio (times)	0.67	0.51	0.41
Interest coverage ratio (times)	1.89	15.50	14.73
Current Ratio (times)	1.83	2.25	2.48
Average collection period (Date)	27	26	22
Average inventory (Date)	49	61	50

Business Overview

History

The Company was established in 1992 under the name of Southern Steel Company Limited with an initial registered capital of Baht 50 million to engage in production of cold-rolled structural steel comprising steel sheet, steel pipe and C-channel steel. Its head office and factory are located in Bangklam District, Songkhla Province. In 1996, the Company started procurement for distribution business covering such products as galvanized steel pipe, angle bar, H-beam, I-beam, channel, checkered plate, rolled steel, reinforcing bar, etc, to better fulfill customers' demand.

In 2006, the Company increased its registered capital to Bt. 85 million for invest in Neastern Steel Co., Ltd. ("the Subsidiary") with 99.99 percent shareholding. The objective is to expand manufacturing base and also customer base to the northeastern region and its plant is located in ChaloemPhraKiat District, Nakhonratchasima Province. The Subsidiary engages in the same type of business as the Company

As the business ongoing expansion, The company became a Public Company in 2008 and also increased its registered capital from Bt. 140 million to Bt. 200 million by issuing common stocks offering to the public with the total of 60 million shares. The Company became a listed company in the Market of Alternative Investment (MAI) of the Stock Exchange of Thailand and started its first trading day on 2 September 2009. At present, the Company's paid-up capital was Baht 449,998,800 at par value Baht 1 per share.

Background

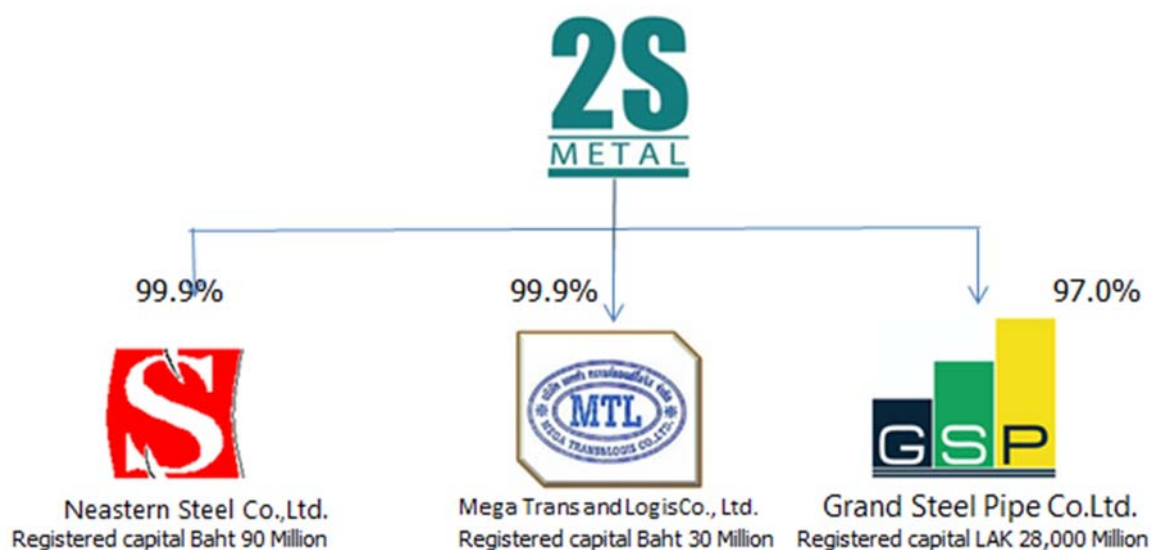
The company is a big sole producer of formed steel in the south such as steel sheet, steel pipe, C-channel steel, angle bar, etc. and trading of other formed steel products such as galvanized steel pipe, equal angle, H-beam, I-Beam, channel, checkered plate, hot rolled coil, cold round bar, etc., or steel pipe, C-channel, and wire mesh which are of the size cannot be produced by the Company. The head office and plant are located in Bangklam District, Songkhla Province with the total area of approximately 33 rai and 120 square wa and the combined production capacity of all types of products of approximately 144,100 tons a year (excluding slitting coil).

Neastern Steel Co., Ltd. the subsidiary became to the Original equipment manufacturer (OEM) for the Company since 2010. The objective is to enhance the Marketing and Sale Management under the pattern. Its head office and the plant located in ChaloemPhraKiat District, Nakhonratchasima Province which is in a center of economic in the northeastern region and a gate to the Neighbouring Countries. At present, the subsidiary has the combined area is approximately 59 rai, 2 ngan, and 82 square wa and the combined production capacity of all types of products of approximately 176,300 tons a year (excluding slitting coil).

At present, the Company have 4 suitable locations of warehouse, Hat-Yai, Surathani, Korat (Nakhonratchasima Province) and Bangkok (Phutthamonthon 3 rd.). Therefore, the Company set up the another subsidiary Mega Trans and Logis Co., Ltd. to handle the transportation to benefit of those 4 zones are more convenience and economical to deliver of each zone.

In 2015, the company enter into a share purchase of the common shares of Grand Steel Pipe Co., Ltd. which is registered under the law of Lao PDR. The producer of steel products and trading of steel. Its head office and the plant located in Xiengkhouan Village, Hadsayfong, District, Vientiane Capital, Lao PDR. with the total areas of approximately 10 rai and the combined production capacity of all types of products of approximately 24,000 tons a year.

Shareholding Structure



Neastern Steel Co.,Ltd.	Mega Trans and Logis Co.,Ltd.	Grand Steel Pipe Co.,Ltd.
147 Moo 9, Nong-Ngulueam, ChaloenPhraKiat, Nakhonrat chasima Province 30330 Telephone : 044-207247-51 Facsimile : 044-207272	8/5 Moo 14, Tha-chang, Bangklam District, Songkhla Province 90110 Tel : 074-800111 Facsimile : 074-801286	121/10 part2, Xiengkhouan Village, Hadsayfong, District, Vientiane Capital, Lao PDR.
Original Equipment Manufacturer (OEM) for the Company.	Nature of Business : Transportation	Telephone : +856 21 820112-3 Manufacturing and Distribution of steel products
Paid-up Capital : Baht 90,000,000	Paid-up Capital : Baht 30,000,000	Paid-up Capital : LAK 28,000,000 million
Par value : 50 Baht /share	Par value : 100 Baht /share	Par value : 8,000 LAK /share

Significant Changes and Developments

2017

- The capital increase from the existing registered capital of Baht 299,999,971 to be the new registered capital of Baht 499,999,951 for supporting the stock dividend payment of Baht 99,999,990 and the issuance of warrants to purchase ordinary shares of the Company no. 1 (2S-W1) of Baht 99,999,990 at par value Baht 1.0 per share.
- Issued the of warrants to purchase ordinary shares of the Company no. 1 (2S-W1) with term 2 years for the Company's existing shareholders on a pro-rata basis in the ratio of 3 existing shares for 1 unit of warrant.

- The subsidiaries, Grand Steel Pipe Co.,Ltd. issued ordinary shares amount 2,500,000 shares at par value 8,000 LAK/share allocated to the Company for conversion debt under loan agreement. Though, the Company has increased holding 97.1% of registered shares from 90%.

2018

- The Company increased its registered and paid-in capital to Baht 550 million by issuing 50 million new ordinary shares at a par value of Baht 1 per share and allocating them as dividend shares to the existing shareholders at a ratio of 8 existing shares : 1 dividend share. At present, the Company's paid-in capital is Baht 450 million.
- The Company received the SET Awards 2018 on the outstanding performance of the company 'Outstanding Company Performance Awards 2018'



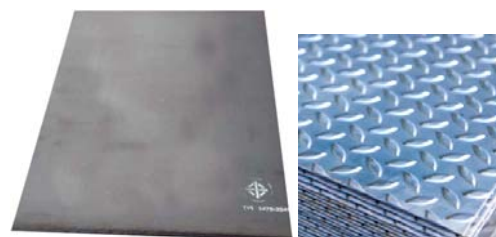
Nature of Business

The Company's business operations can be classified into manufacture and distribution of steel products and trading of steel products as below:

Formed steel products Hot Rolled Coil ("HRC") or steel wire will go through different forming processes according to manufacturing standard such as Steel Sheet, pipe, C-Channel or other form.

Steel Sheet

By cutting Hot Rolled Coil to the sizes required by customers. Generally, steel sheets being sold are approximately 1.22 and 1.52 metres wide, 2.44, 3.05, and 6.10 metres long, and 1.20-25.00 metres thick. At present, the Company and subsidiary have approximately capacity of 12,000 tons/years and 30,000 tons/year respectively. Applications of steel sheet are in a variety of industries, e. g. construction, furniture manufacturing, shipbuilding, and many others. It is the material used for component parts of various products, for example, floor slab, partition, shelf, cabinet, safe, ship structure, etc.



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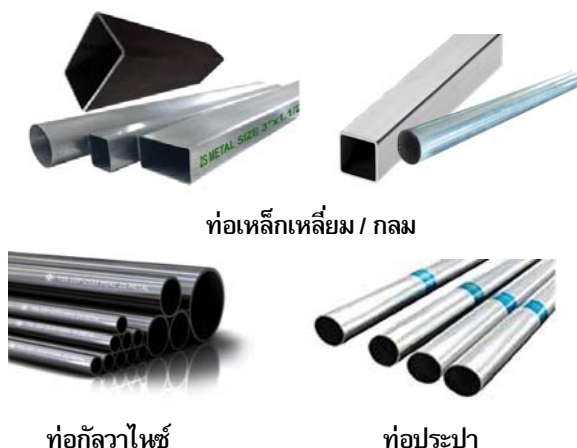
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Steel Pipe

The Company produce steel pipe in all three shapes which are round steel pipe with 1/2" – 3" diameter and 1.20 – 4.00 millimetres thick, rectangular steel pipe with 3/4" x 3/4" – 3" x 3" and 1.20 – 4.00 millimetres thick, and square steel pipe with 2" x 1" - 4" x 2" and 1.20 – 4.00 millimetres thick. Hot rolled coil is cut into slitting coil of required sizes which later goes through a forming process to form round pipe, square pipe, and rectangular pipe. The Company and subsidiary currently have production capacity of around 72,000 tons per year and 64,500 tons per year, respectively. Applications of steel sheet are in a variety of industries, e. g. construction, furniture and automobile, etc. It is used as component part of various products, for example, water pipe, electric wire pipe, desk, chair, roll structure, electric pole and etc.



ท่อเหล็กเหลี่ยม / กลม

ท่อกลวงไนซ์

ท่อประปา

C – Channel Steel

By processing HRC to generate slitting coil of the size required and then forming into the C letter shape with different thickness and width. The sizes are varied from 3" – 8" wide and 1.4 – 4.0 millimeters thick.

The Company and subsidiary have production capacity approximate of 58,000 tons per year and 80,000 tons per year, respectively. C-Channel steel is mainly used as roof structure in construction industry



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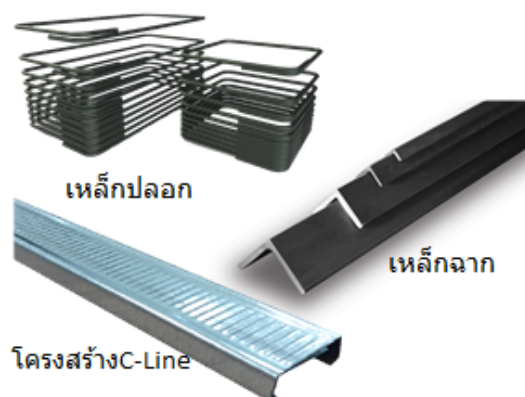


๑ C - Channel Steel

By stretching steel wire and welding it to generate wire mesh with diameter of 3.6 – 5.5 millimeters and maximum width of 3.0 meters. Currently, the Company and subsidiary have production capacity approximate of 24,100 and 1,800 tons per year respectively. Wire mesh is used to reinforce concrete to prevent contraction (Temperature steel) or prevent cracking for concrete work and road surfacing work.

๑ Other formed steel Products

The Company also produces and distributes other formed steel products, e.g. angle bar, flat bar, light lip channel and U channel, by cutting HRC into slitting coil of the size required which is similar to production of C-channel steel. The slitting coil is then fold into various shapes according to customers' demand. And new product Galvanized Steel Bar, Metal Framework and C-line.



๑ Trading of steel products

The Company also procure and then distribute other types of steel products. These include galvanized steel pipe, equal angle, H beam, I beam, channel steel, checkered plate, HRC, cold round bar, and etc, or steel pipe, light lip channel and wire mesh, which are of the sizes cannot be produced by the Company. This could match up to various needs of the customers who are steel wholesalers, and customers in construction and furniture industries, thereby the products are used as structures of buildings, residences, factories or bridges



Revenue Structure

Revenue from sales of the company comprise 2 businesses, which is Manufacturing of steel products and trading of steel products. Revenue structure classified by type of products for 3 years ended 31 December 2016-2018 are as follows:

Type of products	Consolidated					
	2016		2017		2018	
	Bt. Million	%	Bt. Million	%	Bt. Million	%
Revenues from sales of formedsteel	2,908.19	73.88	3,459.65	76.48	3,811.83	69.95
Steel products for trading	964.39	24.50	1,019.75	22.54	1,534.96	28.17
Income from by-products ¹	65.15	1.62	44.32	0.98	102.72	1.88
Total revenues from sales	3,936.43	100.00	4,523.72	100.00	5,449.51	100.00

Notes: By-products refer to B-grade and C-grade steel that have defects or have the length not up to the standards.

Marketing Strategy

● Product and Service

The manufacturing product of the Company achieved the certification of Thai Industrial Standard Institute. By the main goal to provide efficient service for customers' highest satisfaction and a policy to produce and distribute products as a One-Stop Service Center of South and East with 4 warehouses in different areas. The first warehouse is in Songkla Province. The second is in Suratthani Province. The third is in Nakhonratchasima Province and last one is in Bangkok, thus delivering of steel products can be done on-time.

● Price

The Company has set a pricing policy to sell its products a suitable price base on supply and demand in the market at the time, cost of raw materials using in the manufacturing process, and future trend of supply and demand, in order to be able to set the price that is suitable according to market situation and able to compete in the market. However, the Company does not have a policy to reduce the price to gain advantage in a competitive market but will focus on quality and variety of steel product to meet customer's requirement. The Company's policy to compete in the market is to be differentiated other than lowering the price.



Mandatory Standards

1. มก. 528-2548
(ชั้นคุณภาพ HR1) Carbon Seteel for Forming
2. มก. 1479-2541
(ชั้นคุณภาพ SS400) Hot Rolled Carbon Steel, Sheet, Rolled
3. มก. 1228-2549
Cold forming, C type
4. มก. 1227-2539
Hot forming – Beam, Angle bar, Channel steel
5. มก. 20-2543
Reinforcement, round bar
6. มก. 24-2548
Round bar-reinforced, Deformed Bar



General Standards

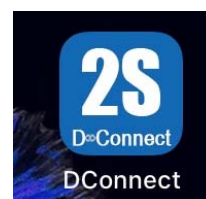
1. มก. 107-2533
Round pipe
2. มก. 737-2549
Wire -mesh reinforced
3. มก. 747-2531
Cold Drawn Wire
4. มก. 277-2532
Gavanized Pipe

- **Place**

Currently, the company has a channel of distributors representing distribution both wholesalers and retailers, which covers about 200 in the South and 150 in the Northeast. The company has developed sales system into the era of the Internet for it to play a role in people's everyday life by increasing the channels of communication. The channels include subscriptions of the products through Facebook, Applications, D-connect via mobile phone and e-order system to order online on the company's website for the company to ship and deliver products since the steel manufacturing companies' factories are located in the South and Northeast, which are easy to transport. As a result, the company can provide its customers with continuously fast shipping which enables the company to build and maintain relationships with the agents, distributors and wholesalers and retailers.

- **Promotion**

The Company has promotion for both wholesalers and retailers. Customers with orders of high quantity will get discount, where as customers with good credit will get advertisement and public relation to build up brand awareness and acceptance. The Company has done public relation through its website at www.ss.co.th and also accessing target customers directly.



Nature of Customers

The company has customer both wholesalers and retailers in the South around 200 customers, East around 150 customers. For Middle and North, the customers would be both wholesalers and End User. Most of the customers around 80% of sales is wholesalers which will be purchased steel from the Company to sell to customers and end-user. These wholesalers is construction store, furniture manufacturing, the Company has good relationship with all type of customers and no need to rely on just one customer who has sales value more than 10% of total sales.

Sources of Supply

- **Raw Material**

Hot rolled coil (HRC) is a major raw material in the manufacturing process of steel sheet, steel pipe, and C-channel steel, and wire rod is a major raw material to produce wire mesh. The Company has purchased such steel product, in accordance with the Company's procurement policy, from domestic manufacturers and distributors under certain conditions in terms of reliability in supplying and delivery of products, quality of raw material, and appropriate price referring to steel price in domestic market. Purchase orders of raw material will be placed approximately 15-45 days beforehand with price, amount, and quality as agreed in advance so that the supply of raw material is sufficient and meet the customer's demand. The Company aggregately purchased HRC from three companies which are Sahaviriya Steel Industries PLC., G Steel PLC., and G J Steel PLC. Such manufacturers and distributors can produce hot rolled coil with quality and standard as required by the Company at the right price.

The two subsidiaries i.e. Neastern Steel Ltd. and Grand Industry Steel Processing Co., Ltd. have the same raw material purchasing policy and under the same management. By pooling the purchase of all the companies together, the resulting higher volume contributes to better purchasing terms and conditions.

➤ **Production**

Location	ลักษณะ	Area
Songkhla Province (HQ)	Factory and Warehouse	Apx. 33-1-0, 3 Buildings
Suratthanee province	Warehouse and Distribution	Apx. 3-0-84, 2 Buildings
Nakornratchaseema Province	Factory and Warehouse	Apx. 59-2-82 , 3 Buildings
Bangkok	Warehouse and Distribution	Apx. 2-3-0 / 2 Buildings
Vientiane Capital, Lao PDR.	Factory and Warehouse	Apx. 9-3-2 / 2 Buildings

Manufacturing policy of the Company and the Subsidiary is a made to order production and inventory for distribution. Starting from production planning according to orders the sales department received from customers, the manufacturing department will take into consideration production capacity from the orders together with an estimation of the market demand to have an economy of scale; lead time and amount of raw materials that the procurement department is responsible to provide with quality; and product volume required by customers. The plant can run for 20 hours a day dividing into 2 shifts. When the product is ready, the quality control department will perform a test in accordance with the industrial standard and the Company's policy in quality control before storing the product in the warehouse to be delivered to the customers.

In 2018, The company and Neastern Steel Ltd. has actual capacity utilized were 41.23% and 44.4%, a slight changed when compared to year 2017. Grand Steel Pipe Co.,Ltd. has actual capacity utilized were 42% of the full capacity which has increased of 8% from prevoius year.

Investment on Subsidiaries

Ended 31 December 2018, The company invested on the Subsidiaries as follows:

Subsidiary	Registered Capital	(%) of Investment	Value of Investment (Baht
1. Neastern Steel Ltd.	Baht 90,000,000	99.9	99,000,000
2. Mega Trans and Logis Co., Ltd	Baht 30,000,000	99.9	30,000,000
3. Grand Steel Pipe Co.,Ltd	LAK 8,000,000,000	97.0	87,770,000

The total investment in 3 companies was 216,770,000 Baht in total or 11.67% of total Company's assets.

Investment Promotion Prilivleges

Neastern Steel Co., Ltd. (subsidiary)

There are 2 Promotional certificates By the Board of Investment of Thailand.

No. 1 Investment Promotion no. 1573(5)/2554 was issued on February 14th 2011, under the Investment Promotion Act BE 2520, Section 25 26 28 31 34 35(3), 8-year entitled corporate income tax exemption of the metal production and metal part 55,000 tons per year which began effectively 31 July 2011 to 30 August 2019.

No. 2 Investment Promotion no. 2488(2)2557 was issued on August 25th 2014, under the Investment Promotion Act BE 2520, Section 25 26 28 31 34 35(3), 8-year entitled corporate income tax exemption for the net profit 100% of investment excluding land and working capital. According the income tax exempted under Section 31, Paragraphs 1 and 3, with a value not exceeding Baht 28.97 million for manufacturing of steel products by 31,200 tons/year which effectively February 29th 2016 until February 28th 2024.

Risk Factors

1. Executives of the Company and the Subsidiary having close relatives engaged in similar businesses

The Company and the Subsidiary's executives, Mr. SombatLeeswadtrakul has close relatives operating business relating to steel products in line with the family backgrounds, i.e. being directors and/or major shareholders of companies engaging in steel products, hence similar business to that of the Company and the Subsidiary and considered the competitors thereof which could lead to conflict of interest.

However, the customer base of the Company and the Subsidiary is mainly in the South and the Northeast, while that of the relatives' mainly in the Central region, hence not overlapping target groups. Also, transportation cost is one of the key factors as customers normally buy products from the manufacturers in the close proximity to save such cost.

The Company's shareholder structure comprises shareholders that are not related to or have influence on one another. Also, the Board of Directors is composed of 10 members which have 1 independent directors. This can ensure balance of power and protection of maximum benefit to the Company. In this regard, the Board has delegated power and authority to Mr. SangrunNitipawachon (Managing Director), who is not a close relative, to administer the business relating to steel products, or the Executive Committee, excluding the members with vested interest in certain transactions, to approve related transactions.

2. Raw material procurement

Hot rolled coil (HRC) is a major raw material in the manufacturing process. The Company and the Subsidiary aggregately purchased HRC from three companies which are Sahaviriya Steel Industries PLC., G Steel PLC., and G J Steel PLC. As the Company and the Subsidiary purchase such raw material all at the spot price, without making any firm commitment and agreement, the Company and the Subsidiary may bear risk of raw material shortage.

Nonetheless, all the above three producers are leading local HRC producers with long-time past track records. Moreover, for the past years, these producers/suppliers have been able to provide the raw material for the Company and the Subsidiary timely and sufficiently all along. The Company and the Subsidiary has also put in place the clear manufacturing plan, together with the raw material stock period of around 15-30 days to match the production and approximately 15-45 days advance placement of purchase orders.

3. Price fluctuation in raw material

The cost of HRC, the major raw material in the steel product manufacturing, represents approximately 95-96% of total steel production cost. Although the supply is procured domestically, HRC price fluctuates in line with the global demand-supply situation. Such price fluctuation will pose material impact on the revenues and gross profit margin, particularly if the Company cannot adjust its product selling prices in line with the higher raw material prices.

However, the Company has placed importance to managing such risk, with regular and consistent tracking of HRC price changes to predict HRC supply and price trends and ensure proper raw material and finished product management. This can relieve the impact from price fluctuation in raw material to a certain extent.

4. Risk from fluctuation of foreign exchange

The company imports some raw material and machinery thus exposed to foreign exchange risk. In order to minimize such risk, the company utilizes financial hedging tools e.g. forward and option.

5. Risk from providing credits to customers

Risk factors are related to customer credit volumes and selling prices that fluctuate and trade debtors not paying on time. The company has taken measures to reduce such risks by establishing credit line, by analyzing customer demand for products and the ability to repay debt. This must be approved in writing by the executive authority in the matter, however, in 2560, these factors did not significantly affect liquidity of the company.

6. Risk from the change in regulations, policies, guidelines in the countries where the company has investments

In connection with the company's investment in Laos PDR, there may be risk of change in law, guidelines, regulation, policies of that country which is unavoidable e.g. laws on stamp duty, labor laws, environmental laws etc. Nevertheless, the company has already consulted legal counsel in Lao PDR to seek alternative in reducing the risk.

Shareholder Structure

Company's Securities as at February 20th 2019 were as follows;

registered capital *	:	549,999,244 Baht
Paid-up capital	:	449,998,800 Baht
Ordinary Shares	:	449,998,800 shares
Par Value	:	1 Baht per share

* The Company's registered capital amount Baht 99,999,990 for supporting the exercise of warrants to purchase ordinary shares of the Company no. 1 (2S-W1) of Baht 99,999,990.

Major Shareholder

Name of top 10 shareholders as at the book closing date on February 20th 2019 are as follows:

No.	Name	No. of Shares	% of registered capital
1	Mr. Sombat Leeswadtrakul	82,380,645	18.31
2	Mr. Sangrung Nitipawachon	26,188,679	5.82
3	Ms. Thanika Tungpoonponvivat	21,373,200	4.75
4	Mr. Preeda Wongsatitporn	20,157,449	4.48
5	Ms. Nisa Rungrattana-ubon	16,706,250	3.71
6	Ms. Umporn Nitipawachon	15,047,114	3.34
7	Ms. Bunsri Panyapiamsak	13,875,550	3.08
8	Mr. Sunt Amornlertvimarn	13,620,974	3.03
9	Mr. Suthep Siriphityakunnakit	12,535,929	2.79
10	Ms. Suporn Nitipawachon	12,371,841	2.75
Total		234,257,631	52.06

Controlling Shareholders

No.	Name	No. of Shares	% of registered capital
1	Mr. Sombat Leeswadtrakul	82,380,645	18.31
2	Nitipawachon group	73,589,596	16.35
	Mr. Sangrung Nitipawachon	26,188,679	5.82
	Ms. Umporn Nitipawachon	15,047,114	3.34
	Ms. Suporn Nitipawachon	12,371,841	2.75
	Ms. Sivaporn Nitipawachon	11,934,712	2.65
	Ms. Chonsita Vacharaphunjit	3,280,025	0.73
	Ms. Chalada Nitipawachon	756,150	0.17
	Mr. Jirayu Nitipawachon	945,000	0.21

No.	Name	No. of Shares	% of registered capital
	Miss Punyavee Nitipawachon	1,541,375	0.34
	Miss Punchika Nitipawachon	1,524,700	0.34
3	Punyapiamsak group	31,212,112	6.94
	Ms. Bunsri Panyapiamsak	13,857,550	3.08
	Mr. Vichai Panyapiamsak	4,725,000	1.05
	Mr. Sombat Panyapiamsak	6,911,437	1.54
	Mr. Somporn Panyapiamsak	2,630,000	0.58
	Ms. Boonchuay Panyapiamsak	3,043,125	0.68
	Miss Lalita Panyapiamsak	45,000	0.01

Other Securities

- Warrant to purchase ordinary shares of the Company no. 1 (2S-W1)

According to the resolution of the Annual General Meeting of shareholders 2017 which held on April 26th 2017 approved issuance of warrants to purchase ordinary shares of the Company no. 1 (2S-W1)) in the ratio of 3 existing shares for 1 unit of warrant with no cost for the Company's existing shareholders who are entitled to receive the right on May 11th 2017

Number of Warrants	99,999,990 units
Term of warrants	2 years from the issuance date of warrants.
Issuance and offer date	May 31 st 2017
Expire Date	May 30 th 2019
Exercise ratio*	1 warrant per 1.125 ordinary share
Exercise price*	Baht 6.667 per share
Exercise period	The warrants' holders will be entitled to purchase new ordinary shares of the Company according to Warrants 2S-W1 on the 30 th of May and November of each year until the maturity date of warrants. The first exercise will be on November 30 th , 2017 and the last exercise date is the date on which the Warrants are 2 years.
Number of exercised warrants as December 31 2017	-0- unit
Number of unexercised warrants as December 31 2017	99,999,990 units
Number of remaining shares reserved as December 31 2017	99,999,990 shares

* Adjusting right of exercise price and ratio of Warrant as the mention to the right adjustment clause 4 on April 18, 2018

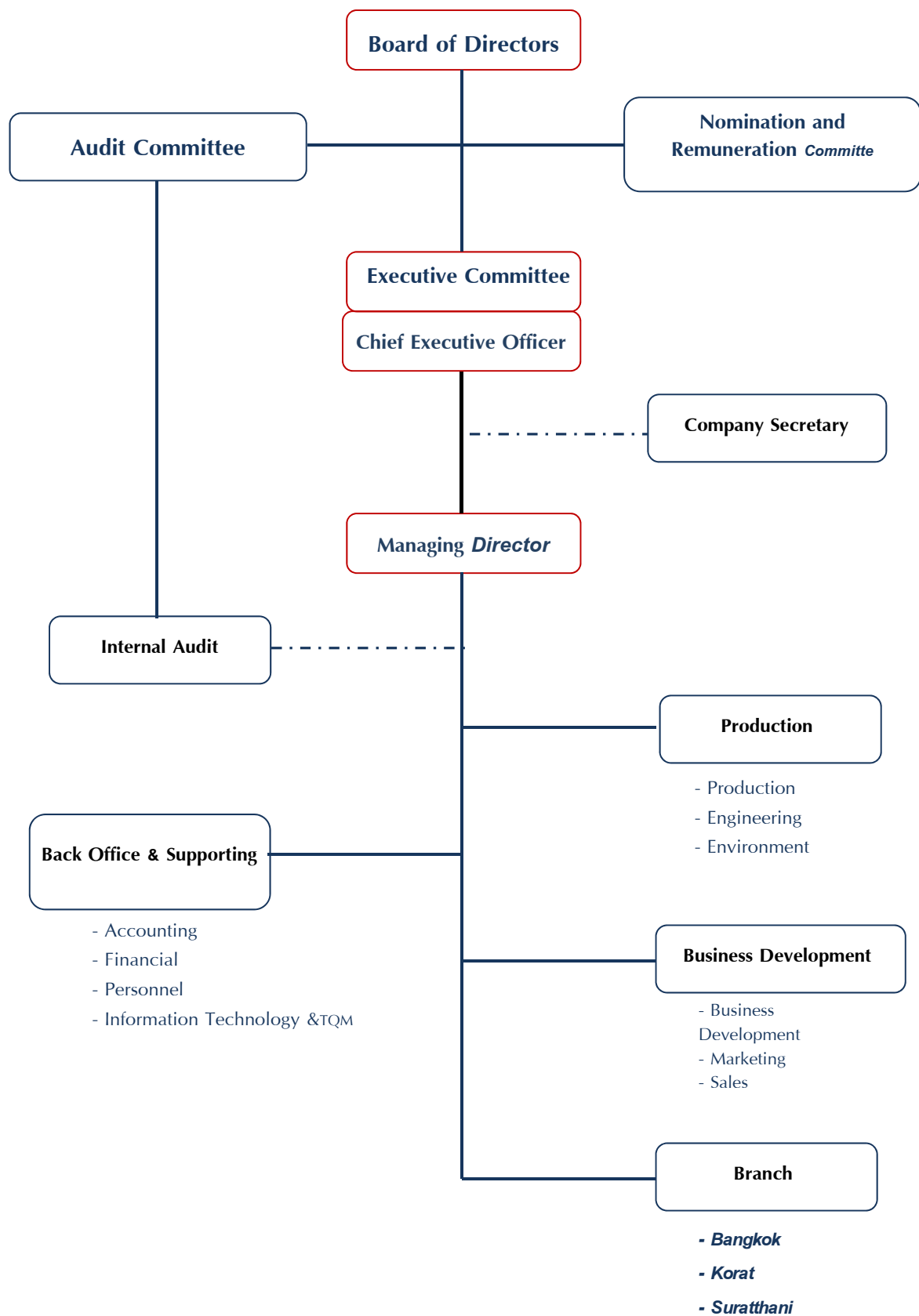
Dividend payment Policy

The Company has a policy to pay dividend at the rate of at least 40% of net profit after corporate income tax of the Company's Financial Statements and after statutory reserve and other reserve as specified by the Company. Such dividend payment may change subject to the Company's financial position, operating performance, investment plan, and other factors considered necessity and appropriate in the future and as deemed proper by its Board of Directors and/or the Shareholders' meeting. The Subsidiary also has dividend payment policy same as the Company.

Information for comparison with the dividend distribution in previous years

Details	2017	2016	2015
- Net Profit under the Company's separate financial Statement	276.73	334.31	29.54
- Number of shares entitled to dividends (Million Shares)	400	300	300
- Basic profit per share (Baht/share)	0.69	1.11	0.10
- Dividend payable per share (Baht/share)	0.2850	0.5133	0.10
- Total dividend payable (million Baht)	114.0	154.00	30.00
- Dividend payout (%)	41.20	46.07	101.6

Organization Chart



Board of Directors



Dr. Kanchit Singsuwan
Chairman



Mr. Sombat Leeswadtrakul
Chief of Executive Officer



Mr. Surapon Satimanont
Vice Chairman



Mr. Sangrungs Nitipawachon
Managing Director



Mrs. Chintana Taechamontrikul
Independent Director



Gen. Phairat Phoubon
Independent Director



Mr. Preeda Wongsatitporn
Director



Mr. Worwit Chailimpamontri
Independent Director



Mr. Tanatat Chawaldiht
Director



Ms. Bunsri Panyapiamsak
Director

Profile of Board of Directors and Managements

Dr. Kanchit Singsuwan

Chairman and Audit Committee

Age 56 years.

Tenure of Directorship : November 15th 2007

Education Background

- Doctoral degree in International Business Administration, Alliant International University, San Diego, CA, USA
- Bachelor of Laws, Chulalongkorn University, Thailand
- Executive Development Program (EDP) #8/2012, Fiscal Policy Research Institute Foundation.
- CEO #1/2013, Leadership Succession Program (LSP), Institute of Research and Development for Public Enterprises
- Director Accreditation Program (DAP) 68/2008 from Thai Institute of Directors

Shareholding proportion - %

Working experience in the past 5 years:

- Listed Company (-)
 - Non-Listed Companies (2)
- | | |
|----------------|--|
| 2017 - present | Managing Director, Upventure Co.,Ltd. |
| 2017 - present | Managing Director, Baupost Associates Co.,Ltd. |
| 2016 - 2017 | Managing Director, EEGC Waste Management Corp., Ltd. |
| 2016 - 2017 | Acting Deputy Managing Director, SAJJA INSURANCE PLC. |
| 2009 - 2016 | Vice Managing Director of SMEs, Islamic Bank of Thailand |

Family Relationship with the other directors

- None -

Mr.Sombat Leeswadtrakul

Director, Chief Executive Officer

Age 59 years.

Tenure of Directorship : May 29th 1994

Education Background

- MBA, Mahidol University, Thailand
- The 8th: Top Executive Program, Capital Market Academy, Thailand
- The program for Senoir Executive on Justice Administration (Batch 12)
- Director Accreditation Program (DAP) #68/2008, Thai Institute of Directors

Shareholding proportion : 18.31%

Working experience in the past 5 years:

- Listed Company (-)
 - Non-Listed Companies (2)
- | | |
|----------------|--|
| 1994 - present | Chairman and Chief Executive Officer, Neastern Steel Co., Ltd. |
| 2015 - present | CEO, Grand Steel Pipe Co.,Ltd. |
| 1992 – 2016 | Director, Bangkok Waster Resources Co., Ltd. |
| 2002 - 2016 | Director, Bangsaothong for Agriculture Co., Ltd. |

Family Relationship with the other directors

- None -

Mr. Surapon Satimanont

Director and Chairman of Audit Committee

Age (Yr.) 58

Tenure of Directorship : November 15th 2007

Education Background

- MBA, Webster University, USA
- Master of Laws (LL.M.), Howard University School of Law, USA
- Master of Laws (LL.M.), Southern Methodist University, USA
- Director Certification Program (DCP) #40/2004, Thai Institute of Directors
- Anti - Corruption for Executive , July 2014 from Thai Institute of Directors

Shareholding proportion : - %

Working experience in the past 5 years:

- Listed Company (2)
 - 2002 - present Director and Audit Committee, Ratchthani Leasing Public Co., Ltd.
 - 2006 - present Director and Chairman of Audit Committee, Baan Rock Garden Public Co., Ltd.
- Non-Listed Companies (5)
 - 2015 - present Director, Amethyst Asia Focused Fund
 - 2015 - present Director and Audit Committee, Sumitomo Mitsui Trust (Thailand) Bank PLC.
 - 2017 - present Director, Audit Committee, Hybrid Energy Co.,Ltd.
 - 2018 - present Director, S & Manont Limited.
 - 2018 - present Director, Audit Committee, JSSR Group Co.,Ltd.
 - 2008 - 2016 Sub-committee on Legal and Contract, State Railway Authority of Thailand
 - 2014 - 2016 Director, Erawan Insurance PLC.
 - 2014 - 2017 Legal Advisory Board, Ministry of Information and Communication Technology

Family Relationship with the other directors

- None -

Mr. Sangrungs Nitipawachon

Director, Executive Director, Managing Director

Age 49 years.

Tenure of Directorship : May 29th 1994

Education Background

- MBA , Chulalongkorn University, Thailand
- MBA, Prince of Songkla University, Thailand
- Director Accreditation Program (DAP) 68/2008 from Thai Institute of Directors

Shareholding proportion : 5.82%

Working experience in the past 5 years:

- Listed Company (-)
- Non-Listed Companies (2)
 - 1993 - present Director and Managing Director, 2S Metal Public Co., Ltd.
 - 2006- present Director and Managing Director, Neastern Steel Co., Ltd.
 - 2015 - present Director, Grand Steel Pipe Co.,Ltd.

Family Relationship with the other directors

- None -

Mrs. Chintana Techamontrikul

Director and Audit Committee

Age (Yr.) 64

Tenure of Directorship : November 15th 2007

Education Background

- MBA (Finance), Kasetsart University, Thailand
- MBA, University of the Thai Chamber of Commerce, Thailand
- M.A. (Economic law), Faculty of Law, Chulalongkorn University, Thailand
- Director Certification Program (DCP) 4/2000 from Thai Institute of Directors

Shareholding proportion : - %

Working experience in the past 5 years:

- Listed Company (-)
- Non-Listed Companies (2)
 - 1993 - present Managing Director, C&A Auditing
 - 2018 - present Director, Audit Committee, JSSR Group Co.,Ltd.
 - 2014 - 2015 Director and Audit Committee, JP Motor Works Public Co., Ltd.

Family Relationship with the other directors

- None -

Gen. Phairat Phoubon

Independent Director and Chairman of Nomination and Remuneration committee

Age (Yr.) 62

Tenure of Directorship : December 15th 2015

Education Background

- The National Defence College (NDC #52)
- Chulachomklao Royal Military Academy (CRMA#27)
- Bachelor of Engineering, Royal Thai Survey Dept.
- Director Accreditation Program (DAP) 123/2016 from Thai Institute of Directors

Shareholding proportion: ---%

Working experience in the past 5 years:

- Listed Company (1)
2002 - present Chairman, Rich Sport Public Co., Ltd.
- Non-Listed Companies (4)
2017 - present Director, Council of The War Veterans Organization of TH.
2017 - present Subcommittee on Strategic, Defense Technology Institute
2017 - present Honorary Advisor, Royal Thai Armed Forces Headquarters Saving and Credit Cooperative Limited.
2016 - present Advisor of Chairman, CAT Telecom PCL.
2013 - 2016 Director of Joint Communications

Family Relationship with the other directors

- None -

Mr. Preeda Wongsathitporn

Director

Age (Yr.) 62

Tenure of Directorship : August 10th 2011

Education Background

- Wattana College
- Director Accreditation Program (DAP) 92/2011 from Thai Institute of Directors

Shareholding proportion(%) : 4.48%

Working experience in the past 5 years:

- Listed Company (-)
- Non-Listed Companies (4)
2006 - present Authorized Director, Tor. Vijjulsin Woods Co., Ltd.
2006 - present Authorized Director, Thanapol Laminate Co., Ltd.
2006 - present Authorized Director, Chaivasith Parawood (2002) Co., Ltd
2008 - present Director, Neastern Steel Co., Ltd.

Family Relationship with the other directors

- None -

Mr. Woravit Chailimpamontri

Independent Director and Nomination and Remuneration committee

Age (Yr.) 49

Tenure of Directorship : April 4th 2018

Education Background

- M.B.A. (International Business Management), Schiller International University, London, England
- B.B.A. (Marketing), Bangkok University
- Cert. of Thailand Government Savings Bank Management Leadership Program,
- Marshall School of Business, University of Southern California
- Top Executive Program, Capital Market Academy (CMA) #8/2009
- Top Executive Program in Commerce and Trade, Commerce Academy, Class 3/2010
- Director Certification Program (DCP) #100/2008
- Advanced Audit Committee Program (AACP) #30/2018 Thai Institute of Directors

Shareholding proportion: ---%

Working experience in the past 5 years:

- Listed Company (4)
2018 - present Audit Comm., Siam Future Development Public Co., Ltd.
2018 - present Director and Chairman of Audit Committee, National Power Supply Public Co., Ltd.
2018 - present Director and Executive director, International Research Corporation Public Co., Ltd.
- Non-Listed Companies (1)
2018 - present Advisor, The Federation of Nontaburi

Family Relationship with the other directors

- None -

Ms.Boonsri Panyapiamsak

Age (Yr.) 56

Director

Tenure of Directorship : November 15th 2007

Education Background

- High vocational Certificate, Technological and Vocational College, Southern Technical Campus
- Director Accreditation Program (DAP) 75/2008 from Thai Institute of Directors

Shareholding proportion: 3.08%

Working experience in the past 5 years:

- Non-Listed Companies (2)
- 2011 - present Director and Executive committee, Neastern Steel Co., Ltd.
- 2015 - present Director, Grand Steel Pipe Co., Ltd.

Family Relationship with the other directors

- None -

Mrs. Kannika Angruvirote

Age (Yr.) 52

Branch Manager

Tenure of Management : March 1st 2010

Education Background

- B.A. Faculty of Arts, Silpakorn University

Shareholding proportion: - %

Working experience in the past 5 years:

Family Relationship with the other directors

- None -

Mr.Pakorn Onkaew

Age (Yr.) 44

Accounting Manager

Tenure of Management : September 1st 2007

Education Background

- B.A.(Accounting), Had Yai Community College

Shareholding proportion: 0.01 %

Working experience in the past 5 years:

2013- present Director and Managing director, Mega Trans and LogisCo., Ltd.

Family Relationship with the other directors

- None -

Mr.Tanatat Chavaldit

Director

Age (Yr.) 51

Tenure of Directorship : May 21st 2008

Education Background

- MBA, Sasin Graduate Institute of Business Administration, Chulalongkorn University
- Director Accreditation Program (DAP) 68/2008 from Thai Institute of Directors

Shareholding proportion: 2.70%

Working experience in the past 5 years:

- Listed Company (-)
- Non-Listed Companies (4)
- 2002 - present Director, Relax Comfort Co., Ltd.
- 2001 - present Director and Vice President, Golden (Thai) Teak Co., Ltd.
- 2001 - present Director and Vice President, SB Furniture Houses Co., Ltd.
- 2001 - present Director and Vice President, SB Furniture Industry Co., Ltd.
- 2001 - 2016 Director, GTT Marketing Co., Ltd.
- 2004 - 2016 Director, Royal Home Development Co., Ltd.

Family Relationship with the other directors

- None -

Mr.Pongdech Lersithisak

Age (Yr.) 51

Branch Manager

Tenure of Management : March 1st 2010

Education Background

- B.A. (Faculty of Business) Chulalongkorn University

Shareholding proportion: - %

Working experience in the past 5 years:

2008- present Director and Executive , Wattana Mansion

2016 - present Director, Grand Steel Pipe Co., Ltd.

Family Relationship with the other directors

- None -

Ms. Jaruwan Janpra-Ob

Age (Yr.) 40

ICT Manager

Tenure of Management : August 1st 2010

Education Background

- Master of Science, ICT, Prince of Songkla University,

Shareholding proportion: 0.02%

Working experience in the past 5 years:

Family Relationship with the other directors

- None -

Ms..Tassanee Phunuchapai

Age (Yr.) 35

Management : March 1st 2004**Education Background**

- MBA, Prince of Songkla University, Thailand
- B.A. (Finance), Prince of Songkla University

Shareholding proportion: - %**Working experience in the past 5 years:****Family Relationship with the other directors**
- None -**Mr. Pongthep Jonthumniam**

Age (Yr.) 48

Human Resources Manager**Tenure of Management** : September 17th 2018**Education Background**

- Master of Science, (Community Psychology)
Kasetsart University

Shareholding proportion: - %**Working experience in the past 5 years:**

2016-2018 HR and Admin. Executive, Gold Coin
Specialty (Thailand) Co., Ltd.
2013-2015 Sr. Government Liaison Officer, Chevron
Thailand – Exploration and Production

Family Relationship with the other directors
- None -**Mr. Teerasak Onrachorn**

Age (Yr.) 35

Plant Manager**Tenure of Management** : July 1st 2018**Education Background**

- B.A. (Electrical Engineering), King Mongkut's
University of Technology Thonburi.

Shareholding proportion: - %**Working experience in the past 5 years:**

2016-2018 Plant manager, Samchai Steel Pcl.

Family Relationship with the other directors
- None -**Miss Pornnica Lertithibaht**

Age (Yr.) 46

Company Secretay**Tenure of Management** : July 1st 2008**Education Background**

- B.A., Marketing , Bangkok University
- Company Secretary Program (CSP) #27/2008
from Thai Institute of Directors

Shareholding proportion: - %**Working experience in the past 5 years:****Family Relationship with the other directors**
- None -

Authorized Directors of the Company

Authorized directors for company legal obligation are Mr. Sombat Leeswadtrakul Mr. Sangrung Nitipawachon or Ms. Bunsri Panyapiamsak, any two of these 3 persons sign out accompanying with the company's seal.

Management

As of December 31, 2018 The Company's management consisted of 10 members as follows;

Name	Position
1. Mr. Sombat Leeswadtrakul	Chief Executive Officer
2. Mr. Sangrung Nitipawachon	Managing Director
3. Ms. Bunsri Panyapiamsak	Chief Financial Officer
4. Ms. Tassanee Phunuch-Aphai	Marketing and Sales Manager
5. Mr. Pakorn On-Kaew	Accounting Manager
6. Ms. Kannika Anguravirote	Branch Manager (Korat)
7. Mr. Pongdech Lersithisak	Branch Manager (Bangkok)
8. Ms. Jaruwan Janpra-ob	IT Manager
9. Mr. Pongthep Jonthumniam	Human Resources Manager
10. Mr. Teerasak Onrachorn	Plant Manager

Company Secretary

Ms. Pornnicha Lertithaht was appointed by the resolution of the Board of Directors No.5/2008 which held on June 10th, 2008. The duties and responsibilities as on the CG segment.

Labor dispute

The total of company employees as on December 31, 2018. This consists of the employee according to the working lines as follows:

Division	No. of employees	
	Y2017	Y2018
1. Plant	103	109
2. Sales and Marketing	44	48
3. Accounting	7	7
4. Financial	3	3
5. Personnel	7	11
6. Information Technology (IT)	12	13
7. The office of Committee	1	1
8. Internal audit	1	1
9. 4 Wharehouses	60	61
Total	246	254

As December 31, 2018, 3 subsidiaries consisted Neastern Steel Co.,Ltd., Maga Trans and LogisCo.,Ltd. and Grand Steel Pipe Co.,Ltd. have total employee 225 persons which excluded management.

In a period of the past 3 years, The company did not have any conflict about labor

Personnel Development Policy

The Company has the policy regarding personnel development to advance the employees' knowledge and skill for better performance and higher quality service. Necessary trainings and seminars will be arranged regularly. This will help the staff to be able to apply the knowledge and perform their task efficiently. The Company also has the policy to set compensation at appropriate levels to keep the qualified persons to work with the Company for a long term. In addition, various activities to promote unity of employees have been carried out continuously as details on Section 10 "Corporate Social Responsibility", Respect for human rights.

Remuneration of the Directors and Management team

1 Remuneration in Cash

According to the Annual General Meeting of Shareholders of 2018, solved the remuneration of the Board of Directors and the Audit Committee for the year 2018 was set to Bt. 4.00 million. This consisted of monthly salary for the Chairman and Directors at the amount of Bt. 50,000 and Bt. 30,000, respectively. The meeting allowance was Bt. 15,000 per meeting per person. For the special compensation or bonus will be depend on the Company's operation but must not exceed Bt. 4.0 million per year.

Director's remuneration of Y2018

Name	Number of Attendance / Number of Meetings				Remunerate
	A	B	C	D	
1. Mr. Kunchit Singsowan					735,000.-
Salary					600,000
Meeting allowance	4/4	4/4	0/1	1/1	135,000
2. Mrs. ChintanaTechamontrikul					510,000.-
Salary					360,000
Meeting allowance	4/4	4/4	1/1	1/1	150,000
3. Mr. Surapon Satimanont					510,000.-
Salary					360,000
Meeting allowance	4/4	4/4	1/1	1/1	150,000
4. Mr. Tanatat Chawaldit					435,000.-
Salary					360,000
Meeting allowance	4/4	-	-	1/1	75,000
5. Mr. Preeda Wongsathitporn					435,000.-
Salary					360,000
Meeting allowance	4/4	-	-	1/1	75,000
6. Gen. Phairat Phoubon					420,000.-
Salary					360,000
Meeting allowance	3/4	-	-	1/1	60,000
7. Mr. Woravit Chailimpamontri					275,000.-
Salary					240,000
Meeting allowance	3/4	-	-	1/1	45,000
Total					3,330,000

* A = Board of Directors Meeting / B = Audit Committees Meeting / C = Remuneration and Nominated Meeting / D = Shareholders Meeting

Management remuneration

	Y2017		Y2018	
	Person	Amount (MB)	Person	Amount (MB)
Salary	8	13.62	10	15.04
Bonus	8	12.34	10	6.15
Others –Commission and Provident fund	8	0.76	10	0.72
Total		26.72		21.92

2 Other Remuneration

-None-

Employee's compensation of 2018

The total compensation of the company's employees (excluded management) was 90.22 million baht. This compensation was the form of salary, bonus wage, overtime wage, provident fund and other welfare.

The total compensation of 3 subsidiaries, Neastern Steel Co.,Ltd., Maga Trans and Logis Co.,Ltd. and Grand Steel Pipe Co.,Ltd. was 19.72 and 12.9 and 7.4 million baht respectively. This compensation was the form of salary, bonus wage, overtime wage, provident fund and other welfare.

Audit Fee

In 2018, The Company and its subsidiary paid for audit fee to the auditor.

Company	Audit Fee	Auditor
2S Metal Public Company Limited	Baht 1,800,000	Grant Thornton Limited
Neastern Steel Co., Ltd.,	*Baht 335,000	Grant Thornton Limited
Mega Trans and Logis Co., Ltd	Baht 245,000	Grant Thornton Limited
Grand Steel Pipe Co.,Ltd.	Baht 585,000	TBS Accounting Consultant Service Co., Ltd

* Increased for Baht 30,000 due to the 2nd Promotion Certificate pf BOI which has effective during the year.

Non-audit fee

The Company and its subsidiary paid for accommodation and travel expenses of the auditor of Baht 81,667 and Baht 33,747 respectively

Good corporate governance

Corporate Governance Policy

9.1 Corporate Governance Policy

In current social environment and economic conditions, there are many changes. Guidelines and principles of corporate governance are developed to be comprehensive and clear, in line with changes that occur. The Board of Directors therefore agreed to review and improve the content of the Corporate Governance Handbook. The handbook content is developed in accordance with the changes that have occurred by applying the principles of good corporate governance (CG Code) of the Securities and Exchange Commission. The principles are applied as a guideline for determining and improving the corporate governance manual to be more universal.

The Board reviewed with the management and passed a resolution on 14 August 2018 to set up a new Corporate Governance Code (CG Code) of the Securities and Exchange Commission which started in 2017 to create sustainable business value. In addition to creating confidence for investors, it emphasizes corporate governance and the environment and society by adopting CG Code, all 8 practices as guidelines for deploying in the business context of the company. This includes adopting the right innovation and technology to support the business strategy, covering all the factors that change around, taking into account "stakeholders" in both impact and value that will occur for managing important resources (Details of the practices appear in the Corporate Governance Manual on the Company's website).

- Principle 1 Establish Clear Leadership Role and Responsibilities of the Board
- Principle 2 Define Objectives that Promote Sustainable Value Creation
- Principle 3 Strengthen Board Effectiveness
- Principle 4 Ensure Effective CEO and People Management
- Principle 5 Nurture Innovation and Responsible Business
- Principle 6 Strengthen Effective Risk Management and Internal Control
- Principle 7 Ensure Disclosure and Financial Integrity
- Principle 8 Ensure Engagement and Communication with Shareholders

Corporate governance guidelines.

The company's corporate governance guidelines are in 5 Sections as follows.

Section 1 The Rights of Shareholders

The Company realizes and values fundamental rights of shareholders, both as the Company's owner and investors, such as right to buy, sell, or transfer stocks, right to receive significant information, right to receive dividend, right to attend meetings and vote, right to give opinion, right to decide in any significant matter of the Company, e.g. dividend payment.

In practice, the directors encourage the shareholders to exercise their rights by voting in shareholders meetings regardless of whether the issue involves new appointment or removal of directors, the rights to fix directors' compensation package, the right to select and fix compensation package of external auditor or to decide on dividend payment. The shareholders have the prerogative to ask about the company's performance including information on various developments that may have an impact on the company.

The directors offer the opportunity to shareholders to exercise their full rights by disclosure the criteria and methods through the SET's SCP PORTAL system more than 30 days which sufficient duration to propose agendas and to nominate persons to be elected as the Company directors. They can contact the company including its directors via letters or the company secretary or investor relations at the company's website www.ss.co.th or e-mail address: ir@irplus.in.th or by postal mail.

Section 2 Equitable Treatment of Shareholders

In addition to the basic rights abovementioned, the company offers the opportunity to the shareholders to propose new agenda for discussion at the shareholders' meeting including proposing new directors or in case if shareholders have any question on the meeting agenda such question can be submitted to the directors in advance of the meeting together with any relevant documents. The company's secretary shall collect such questions for discussion at the meeting. Nevertheless, the directors reserve the right to screen the questions such that only the ones that benefit the shareholders in general and are manageable by the directors without violating any law, guidelines, regulations will be tabled for the meeting's discussion. For the questions that were excluded from the meeting agenda, the company's secretary shall contact and explain the reasons to the individuals who made such proposals.

In addition, the Company disclosed on the Company's website to invite all minority shareholders to nominate qualified persons to be appointed as the Company's directors from 24 December, 2018 to 31 January, 2019. However, no shareholder nominated any person to be the Company's director.

Organizing annual shareholders' meeting The company will organize the meeting within 4 months from end of each year. The company will notify the annual shareholders' meeting via SET Community Portal (SCP) on the day such date is finalized by the directors. The shareholders will be notified in Thai and English up to 30 days in advance before the meeting date via the company's website that enable shareholders to study the information before the meeting. Subsequently, a written notification will be sent via postal mail.

Sending of invitation letters to shareholder The company assigned the Thailand Securities Depository Co., Ltd. which is the company's registrar to dispatch invitation letters to shareholders 7 days in advance of the meeting date and there will be similar announcement in the newspaper for 3 consecutive days of more than 7 days in advance of the meeting date.

The rights of shareholders in the shareholders' meeting The company has already informed the shareholders on the conditions and method to register for the meeting as enclosed with the invitation letter. The document reveals the time to register, explain how to empower a proxy and how to cast a vote at the meeting.

The company has been promoting the exercise of shareholders' rights at the meeting including casting votes. Those shareholders not convenient to join the meeting can give power of attorney in type B (POA) for others to attend on their behalf. The company explains the required documents/evidence in which a proxy must show together with the POA which were also provided in English for foreigners. The conditions on using a proxy are simple and uncomplicated. In the circumstance where the shareholders are not convenient to attend the meeting and wish to give proxy to a director to exercise the voting on their behalf, the company has already proposed the names of independent directors so the shareholders can consider giving the POA to them. All above documents are enclosed with the invitation letters. Further the POA in type A and type C, the company would post on the website for any shareholders choose match their requirement.

Managing the meeting To facilitate the meeting, the company will make use of computers to assist in registering the shareholders and the vote casting process which contain the names of shareholders in attendant and the eligible number of votes categorized for each agenda. The process also covers vote counting for each agenda whilst the shareholders can register to join the meeting throughout the whole meeting. The computer will update the votes during the registration and will close before the voting of the final agenda.

Before commencement of the meeting, the master of ceremony will inform the audience on the make-up of the quorum consisting of the number of attendants, the number of votes and guidelines on voting including counting. The meeting will proceed according to the order of the agenda which are informed via the invitation letter. There will not be any reshuffle of the agenda order, any addition or change without having informed the shareholders in advance.

Chairman of the meeting will act as the moderator to ensure that the meeting proceeds smoothly by arranging an appropriate time for each agenda to enable the participants to express their opinions, recommendations including fielding questions on various issues relating to the meeting. The chairman allows sufficient time for the directors or concerned management members to clarify the questions raised by the participants. In order to respect the rights of all participants, the chairman may have to control the meeting such that there is not excessive time spent on each issue. As such, if any issue raised is not related to the meeting agenda, the clarifications may need to be made after the meeting.

Preparing minutes of the meeting and announcement of the meeting decisions The company's secretary is responsible for preparing minutes of the meeting disclosing the date, time, quorum and place of the shareholders' meeting. This includes the number of shares and shareholders and the proxies, names of the directors attending the meeting, guidelines on vote casting and counting, meeting agenda together with the decisions based on the votes which will be divided into 'agreed', 'disagreed' or 'abstained' including details on the questions from shareholders and respective explanation from directors, opinions & recommendations from shareholders etc.

After the meeting is over, the company will disseminate the decisions by the participants via the SET system followed by submitting the meeting report to the SET which is also accessible via the company's website within 14 days after the meeting to enable those shareholders who did not attend the meeting to stay informed whilst allowing the shareholders who attended the meeting to review and express opinions without having to wait until the next meeting.

Section 3 Roles of Stakeholders

The Company places an importance to the right of all stakeholders, either inside stakeholders, i.e. employees and administrators, or outside stakeholders, i.e. competitors, partners, and customers. The Company realizes that support and suggestion from all stakeholders are valuable and will benefit the Company's business operation and development. August 2018, Board of Directors considered to revised the Company's Ethic Business for make sure that stakeholders' right are being looked after. In addition, cooperation between the Company and each group of the stakeholders is promoted to build confidence in the Company in the following manners: (see more details on the Company's Ethic Business)

<i>Shareholders:</i>	The company aims on being good representative of the shareholders in managing the business to create satisfaction to shareholders by taking into account the long term growth and in transparency of information disclosure that is reliable. The shareholders can inform or file complaint on issues that may cause damage to the company via the company's website.
<i>Employees:</i>	The company is aware of the importance of the company's staff, a major asset of the company. The company will fairly appoint individuals to various positions in the company by considering the qualifications for each position, education background, experience and other necessary conditions for the job.
<i>Competitors</i> :	Avoid unfair competition, and practice on business ethics.
<i>Business Partners:</i>	The company does transactions with business partners strictly on good faith basis, abiding by the terms of the agreement and the commitment given. Its staff will not demand any favor from any business partner and will treat all of them as equal without any bias.
<i>Customers:</i>	Manufacture and deliver products that meet standard quality. Emphasize product development and services to be of high quality with transactions done fairly and mutually beneficial for both parties. The company seriously commits to safeguard the customer's confidential information and not act to derive self-benefits from the privilege of knowing such information. All in all, it should create satisfaction and trust from the customers.
<i>Creditors:</i>	The Company realizes that maintaining good relationship with the creditors to create confidence and trust as well as honestly following loan agreement are its responsibility.
<i>Community and the society:</i>	Consistently organize activities that promote the society, community and the environment so the community nearby the company's office has a better quality of life. Such activities can be carried out by the company solely or in cooperation with the state and the community itself. The company cultivates in its staff a sense of responsibility to the society and environment including in efficiently and effectively using the natural resources.

The Company will abide to related laws and regulations to ensure that the stakeholders' right have been well looked after.

Conflict of interests

The Board of Directors has established internal guidelines to prevent anyone using internal information for personal gains in violation of business code of conduct, covering the directors, management and general staff, which forms a part of the orientation trainings for new directors, management and staff. Such code of conduct is broadcast in the company's website with the following gist:

1. The Board of Directors and management members must not derive gain or loss in engaging in business transaction with the company or in business transaction that is competing against the company regardless of whether directly or indirectly.

2. The Board of Directors and management members must perform their duty and avoid any conflict between personal's interest and the company's interest. He/she must declare any potential conflict of interest before entering into any transaction with the company or its subsidiaries. The above benefits include the followings:
 - Not derive personal gains from holding director position
 - Not use the company's confidential information in unlawful ways or unethical ways.
 - Not accepting a director position in a rival company.
 - Not derive personal gains from entering into a contract with the company.
3. The Board of Directors must not engage in or be a significant shareholder or having family members become a director or become a major shareholder in a company or any business that is similar to the company and competing against the company regardless of whether for own benefit or for other's benefits.
4. Prohibit any company's staff with conflict of interest to have the authority to enter into any contract on behalf of the company in order to prevent any conflict of interest that could happen.
5. In any meeting to consider an agenda where the participant i.e. a company's director, management member or staff has a conflict of interest with the company, that participant is not eligible to vote for that agenda.

To support stakeholders, both inside and outside stakeholders of the company can participate in the business operation of the company. Therefore, if there are suspicious sightings or suspected acts of violation or non-compliance with laws, regulations, codes of conduct, and policy such as corruption, all stakeholders are eligible to report petition and complaint with detailed evidence to the company or entities involved in the following channels.

Email : auditcom@ss.co.th

Postal : Audit Committee
2 S Metal Public Company Limited
No.1 Q-House Lumpini Flr.27, South Sathorn Rd.,
Thungmahamek, Sathorn
Bangkok 10120

CONDITION AND CONSIDERATION

1. Petition and detail need to be based on reality or considered investigatable for future investigation.
2. Petitioner or whistleblower are allowed to be anonymous of their name, address, and phone number in case of their personal insecurity or potential damage from disclosure. However, the company suggests it would be easier and faster to conduct investigation with disclosed identity of petitioner or whistleblower.
3. The information received will be treated as confidential and anonymous unless consented for disclosure.
4. Petitioner and whistleblower, either insider or outsider of the organization, will receive protection from the company.
5. The processing period after reporting petition or complaint will be subjected on the complexity of matter, the sufficiency of evidence given by petitioner or whistleblower.

6. The recipient of petition and complaint and those involved in the review process will ensure the confidentiality of information and will only reveal extent necessary for the process of investigation with regard to safety and damage to the petitioner and whistleblower who cooperated in the investigation, sources of information or related parties.
7. Petitioner and whistleblower have the right to reject to participate in further investigation that may be unsafe or suffer them or anyone who cooperated in the investigation. Petitioner who wishes to participate in further investigation is eligible to request for the protection from the company, if it is likely to cause suffering damage or insecurity. In some cases, the company may define protective measure for those considered appropriate.
8. Those who have suffered damage will be mitigated by appropriate and fair compensation. People who wish to inform or file petitions or complaints on issues that may cause damage to the company can report them via the company's website www.ss.co.th/about [บริษัท/การแจ้งเบาะแส-และการร้อง/](#)

Section 4 Disclosure and Transparency

The Company realizes the importance of disclosure of such information as financial report and general information, that is accurate, complete, and transparent, according to regulations set by the Securities and Exchange Commission and the Stock Exchange of Thailand, as well as other information that has an effect on the Company's stock price which has influence on decision making of the Company's stakeholders and investors. The Company has published related information through different channels and media provided by the Securities and Exchange Commission and the Stock Exchange of Thailand, and also on the Company's website at www.ss.co.th.

For investor relation, Online Access Co.,Ltd. is the system software company which distribute the Company's information to the shareholders or investors and Mr. SombatLeeswadtrakul or Mr. SangrungNitipawachon, is performing a task to communicate with investors, shareholders, and also analyst and government sectors.

The Board of Directors is responsible for consolidated financial statement of the Company and the Subsidiary and financial information as appeared in the Annual Report. Such financial statement has been prepared in accordance with the accounting standard of Thailand. The Company abides to appropriate accounting policy and discloses financial information sufficiently. The Audit Committee will verify the quality of financial report and internal control system, as well as sufficiently disclosing of important information in the Notes to Financial Statement.

Insider Trading

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

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

securities and Exchange Act B.E. 2535 as well as send a copy of such document to the company on the same date.

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

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

The Movement of share holding of year 2018

	At 15 February 2018		Increase (decrease) during financial year	At 20 February 2019		% of registered capital **
	Held personally	Held by spouses and minor Children		Held personally	Held by spouses and minor Children	
1. Mr. Kunchit Singсуwan	-	-	-	-	-	-
2. Mr. Surapon Satimanont	-	-	-	-	-	-
3. Mr. Sombat Leeswadtrakul	73,227,240	-	-	82,380,645	-	18.3%
4. Mr. Sangrung Nitipawachon	23,278,826	840,000	-	26,188,679	945,000	6.03%
5. Mrs. ChintanaTechamontrikul	-	-	-	-	-	-
6. Ms. Bunsri Panyapiamsak	12,800,000	-	(608,000)	13,875,000	-	3.08%
7. Mr. Tanatat Chawaldit	10,800,274	-	-	12,150,308	-	2.70%
8. Mr. Preeda Wongsathitporn	17,917,733	-	-	20,157,449	-	4.48%
9. Gen. Phairat Phoubon	-	-	-	-	-	-
10. Mrs. Tassanee Phunuchaphai	-	-	-	-	-	-
11. Mr. Pakorn OnkaewAge	44,000	-	3,500	49,500	-	0.01%
12. Mrs. Kannika Angruvirote	-	-	-	-	-	-
13. Mr. Pongdech Lersithisak	-	-	-	-	-	-
14. Ms. Jaruwan Janpra-Ob	90,000	-	-	101,250	-	0.02%
15. Mr. Teerasak Onrachorn	-	-	-	-	-	-
16. Mr. Pongthep Jomthumniam	-	-	-	-	-	-

* According to the resolution of AGM 2018 dated 4 April 2018 approved the stock dividend payment to existing shareholders in the ratio 8 existing ordinary shares per 1 stock dividend or the total 49,999,917 shares. Therefore, the number of holding at 15 February 2018 was shown stock dividend included.

Section 5 Responsibilities of the Board of Directors

5.1. The Board of Directors Structure

The Board consists of persons with knowledge, expertise, and experience who have important role in defining policy and overall image of the organization, monitor, verify, and evaluate operational result of the Company to be in line with its business plan.

At present, the Company has 10 Board members. Seven of them are non-executive which there are 5 independent committee members that will balance the vote in considering of any issues. In addition, the Board has appointed 3 set of sub-committee, the Audit Committee, Nomination & Remuneration and the Executive Committee, to perform particular duties and present significant information to the Board for consideration or acknowledgement. The qualification of each committee is appeared in the Selection of Committee Member section, page 44.

5.2. Roles, Duties, and Responsibilities of the Board of Directors

The Board of Directors consists of persons with knowledge, expertise, experience, and also leadership, being well accepted in the business circles. The Board of Directors participates in defining vision, mission, strategy, business direction policy, and controlling and monitoring the Company's operation to conform to laws, objectives, regulations, and resolutions of the shareholder meetings. For better monitoring and controlling of the Company's operation,

The Company has clearly defined roles, duties, and responsibilities amongst the Board of Directors and Executives. The Board is responsible for defining policy and monitoring executives' performance and operation. The Executives take care of management of the Company in different aspects to be in line with the Company's policy. Thus the Chairman of the Board of Directors and the Managing Directors are different person. Both positions must be selected by the Board of Directors to get the most suitable persons for the job. Further information about their scope of work, duties, and responsibilities is detailed in Committee Structure section, page 36.

5.3. Meetings of the Board of Directors

The directors normally meet every 3 months and may convene special meetings as necessary. The meeting dates are fixed 1 year in advance. For each meeting, the company will send invitation letter together with accompanying documents not less than 7 days before the meeting date to allow the directors sufficient time to review the information, unless there is a case of urgency. Written minutes of meeting and acknowledge documents have to be compiled for future reference and examination.

The company requires the minimum participant number to be not less than 50% of all the appointed directors and the agenda for discussion will be announced by the chairman. Chairman and the Managing Director involve in defining agenda and considering the matter for the Board of Directors meeting. Each director has a chance to propose any issue to be considered as the meeting agenda.

The Chairman will allow directors to give their opinion freely. For some agenda, there may be executives or expertise attending to provide additional useful information and also to acknowledge the policy directly to be able to perform their task efficiently. Resolution of the meeting is decided by a majority vote. Each director has one vote. Any director who may has conflict of interest will not attend the meeting and/or not vote for that issue. If numbers of votes are equal, the Chairman will vote to make a final decision.

In August 2018, there was an independent meeting without executive director. Which held on before the board meeting for discussing their opinion and interesting issue, then informed the board meeting to discuss or be knowledge.

The Meeting attendance of the directors in 2018 are as follows:

	Attendance / Total of Meeting				
	Board of Director	Audit Committee	Nomination & Remuneration Committee	Shareholder Meeting	Independent Meeting
1. Mr. Kunchit Singsowan	4/4	4/4	-/1	1/1	1/1
2. Mr. Sombat Leeswadtrakul	4/4	-	1/1	1/1	-
3. Mr. Sangrungs Nitipawachon	4/4	-	-	1/1	-
4. Mr. Surapon Satimanont	4/4	4/4	1/1	1/1	1/1
5. Mrs. Chintana Techamontrikul	4/4	4/4	1/1	1/1	1/1
6. Ms. Bunsri Panyapiamsak	4/4	-	-	1/1	-
7. Mr. Tanatat Chawaldit	3/4	-	-	1/1	-
8. Mr. Preeda Wongsathitporn	4/4	-	-	1/1	-
9. Gen. Phairat Phoubon	3/4	-	-	1/1	1/1
10. Mr. Woravit Chailimpamontri	3/4	-	-	-	1/1

* Mr. Woravit Chailimpamontri was appointed on 4 April 2018 as the resolution of AGM 2018

5.4 Compensation for Directors and Executives

The Company has set guidelines and payment rates for directors to be at appropriate levels. Remuneration for directors and executives would be based on their scope of responsibility, the Company's overall performance, and conform to similar business/industry. Directors' and executives' remuneration packages should be attractive enough to keep the qualified persons, and should be comparable to that of other companies in similar industries. Directors and Executives being assigned more duties and responsibilities will receive more compensation accordingly. Remuneration for directors and executives is made transparent and subjected to the shareholder meeting. Disclosure of remuneration for directors and executives conforms to rules and regulations set by the Securities and Exchange Commission.

In 2018, the company's committees in coordination with Public Limited Companies (PLC) assessed and determined the remuneration of Directors and Executives. The remuneration of Directors and Executives was made transparent and subjected to the shareholders' meeting. Disclosure of remuneration for Directors and Executives is detailed in page 26 on Directors and Executives' Remuneration title.

5.5. The Board of Directors' report

The Audit Committee is appointed to reviewed the financial statements together with accounting manager and propose to the Board of directors' meeting as opinion on each quarter. The Board of Directors is responsible for the consolidated balance sheets of the Company and its subsidiaries. Such balance sheets shall be executed according to the accounting standard. The applicable accounting method shall be appropriate and consistent.

5.6. Orientation for new directors

A newly appointed director will be advised of the important rules & guidelines of the Board of Directors and various special director groups including the company's major policies and information e.g. director manual, good supervision practice, ethical and moral code of conducts for directors and management including an introduction to the nature of the business and the company's approach in doing business. The company encourages the new directors to participate in trainings of at least one course i.e. Directors Certification Program (DCP), Directors Accreditation Program (DAP) and Audit Committee Program (ACP).

5.7 Development Programs for Directors and Executives

It is the Company's policy to encourage and support directors and executives who involves in the Company's operation to take courses or engage in activities to enhance their knowledge and competence so that they might contribute to improvements in company operations. Newly appointed directors would also be provided adequate information and documents, relevant regulations and information about the Company's business and guidelines in order to help them to perform their duties.

5.8 Evaluation for the performance of the Board of Directors

The company has assessed the performance of their Board of Directors at least 1 time per year with the aim to focus on the evaluation that reflects the efficiency of the operation, according to the

principles of corporate governance. The goal is for the joint committee to review performance and improve the next solution.

The Committee who nominated and set remuneration considered and reviewed the criteria for assessing conformity to the business and guidelines of the Stock Exchange of Thailand through self-evaluation of the entire Board of Directors. The topics consist of

1. Structure and qualifications of the Committee
2. Roles and responsibilities of the Committee.
3. The Board Conference
4. Duties of Directors and relationship with management
5. Development of directors and development of directors.

The self assessment of committee consisting of three topics

1. Structure and qualifications of the Committee.
2. The Board Conference
3. Role and responsibilities of the board.

Assigned to the company Secretary to report the assessment to all directors to evaluate themselves every year and calculate the assessment result for the Board to acknowledge. The goal is to comment update guidelines for overall improvement.

In 2018, self assessment of Committee resulted an average 91.81%, more than that of the previous year with the rate of 88.01% for current roles, responsibility of directors to operate, and committee meeting categories. For the assessment of the individual averaged 89.5% increased in the group's board meeting and the role of the Commission as well.

Committee Structure

1. Board of Directors
2. Audit Committee
3. Nomination and Remuneration Committee
4. Executive Committee

Board of Directors

1. Mr. Kunchit Singsuwan	Chairman / Independent director
2. Mr. Sombat Leeswadtrakul	Chief Executive Officer
3. Mr. Sangrung Nitipawachon	Director and Managing Director
4. Mr. Surapon Satimanont	Vice Chairman and Independent director
5. Mrs. Chintana Techamontrikul	Director/ Independent director
6. Ms. Bunsri Panyapiamsak	Director
7. Gen. Phairat Phoubon	Director / Independent director
8. Mr. Tanatat Chawaldit	Director
9. Mr. Preeda Wongsathitporn	Director
10. Mr. Woravit Chailimpamontri	Director / Independent director

- Miss Pornnica Lertithibaht is the Company Secretary

Audit Committee

- | | |
|---------------------------------|-----------------------------|
| 1. Mr. Surapon Satimanont | Chairman of Audit Committee |
| 2. Mrs. Chintana Techamontrikul | Audit Committee |
| 3. Mr. Kunchit Singsuwan | Audit Committee |

* Mrs. Chintana Techamontrikul has knowledge and experience to review credibility of the financial reports.

Nomination & Remuneration Committee

- | | |
|---------------------------------|---------------------------|
| 1. Gen. Phairat Phoubon | Chairman of the Committee |
| 2. Mr. Sombat Leeswadtrakul | |
| 3. Mrs. Chintana Techamontrikul | |
| 4. Mr. Woravit Chailimpamonti | |

Executive Committee

- | | |
|-------------------------------|---------------------------------|
| 1. Mr. Sombat Leeswadtrakul | Chairman of Executive Committee |
| 2. Mr. Sangrungs Nitipawachon | Executive Committee |
| 3. Ms. Bunsri Panyapiamsak | Executive Committee |

Each committee has scope of responsibilities to get the benefit for the company and shareholders could be summarized as follows:

Duties and Responsibilities of the Board of Director

The Board of Directors shall have duties and responsibilities to manage the Company according to the laws, objectives and regulations of the Company, as well as the resolutions of the shareholder meeting, honestly and carefully to protect the Company's interest. Duties and responsibilities of the Board of Directors can be summarized as follows.

1. Define vision, mission, operation strategy, objectives, KPIs, policy planning, operation planning, budget planning, business direction, and also involve in administrative management to be in line with the Company's policy, efficiently and effectively, to ensure that administrators or any person involved perform their duties in accordance with the policy for highest benefit of the Company.
2. Arrange Board of Directors meeting at least 3 times a month.
3. Run the Company's business according to laws, objectives, and the regulations of the Company as well as the resolution of the shareholder meetings.
4. Have the authority to verify and approve policy, course and plan for large investment project of the Company as proposed by the sub-committee and/or the executives.
5. Must be responsible to shareholders and operate the business with the shareholders' highest benefit in mind, and make sure that information being disclosed to investors and shareholders is complete, accurate, meet required standard, and transparent.
6. Monitor the Company's operation to make sure that the operation is in line with the Company's action plan and budget, as well as monitor performance of the administrator continuously to ensure that the Company performs efficiently.
7. Appoint, assign, and advise sub-committee or task force to consider or perform in such cases as the Board of Directors see fit.
8. Set up an internal audit unit to work and cooperate with the Audit Committee for an efficient internal control system, including risk management and reliable financial reports.
9. Prepare the Board of Director's Annual Report and be responsible to preparing and disclosing of financial statement to report to the shareholder meetings.
10. Arrange an annual shareholder meeting within 4 months since the ending of the Company's fiscal year.
11. Directors must not run business of the same nature that is a competitor of the Company; or become a partner of an ordinary partnership or a partner without limit in a limited partnership; or be a director of a private company or other company that run business of the same nature

that is a competitor of the Company. If such cases occur, the directors must inform the shareholder meetings to get an acknowledgement prior to the resolution to appoint directors.

12. Directors must inform the Company right away if directors have a vested interest in any contract, directly or indirectly, or hold more or less debenture of the Company or the Subsidiary.
13. Have the authority to consider and approve such transactions that are necessary and related to the Company or any transactions the directors see fit and bring benefit to the Company. The following activities require an approval from the shareholder meetings.
 - a) Activities that require approval from the shareholder meetings as required by relevant laws, and
 - b) Transactions that the directors may have vested interest. Such transactions require approval from the shareholder meetings as designated by relevant laws or regulations from the Stock Exchange of Thailand.

Directors who have a vested interest or conflict of interest with the Company or the Subsidiary in any transaction will have no right to vote in such agenda.

Duties and responsibilities of the Audit Committee

1. Check that the company has the correct financial report and sufficiently presented by coordinating with the auditors from outside, and the responsible administrators to create a financial report, including every quarter and annually. The audit committee might suggest the auditors to investigate or check any list that seems necessary and important during the account in being investigated.
2. To review and ensure the Company's internal control and internal audit systems are appropriate and effective, and consider the independence of the internal audit work unit, as well as give consent to the appointment, rotation and termination of employment of head of internal audit work unit or any other work unit in charge of internal audit function.
3. To review the Company's compliance with laws of securities and exchange, regulations of the stock exchange, and laws relating to the Company's business.
4. To consider, select and nominate independent person/party as the Company's auditor and recommend the auditing fee by thinking of the reliability, sufficient amount of resources, and amount of investigating projects of the company's account audit office. as well as have meeting with the auditor without the participation of any management member at least once a year.
5. To consider the related transactions or transactions that could create a conflict of interest is comply to law and SET regulation to ensure that transaction is reasonable and give highest benefit to the company.
6. To prepare Audit Committee report to be published in the annual report. This report must be signed by the Chairman of the Audit Committee, and must contain at least information as follow:
 - a) Comment about making process and revealing the information in the financial report of the company in a correct, complete and reliable way.
 - b) Comment about the sufficiency of the internal control system within the company.
 - c) Opinions concerning the operations according to law, including assets and stock exchange, regulation of the stock exchange or law, or law concerning the company's business.
 - d) To opinion about qualification of auditor.
 - e) The opinion about transactions that could create a conflict of interest.
 - f) Time of audit committee meeting and time attendance of each audit committee member.
 - g) Opinion or notice which audit committee had received comply to audit committee's charter.
 - h) Other relevance information which Shareholders and general investor should acknowledge.
7. To perform any other duty as assigned by the Board of Directors and with the consent of the Audit Committee.
8. To have power to examine and investigate certain issues as deemed necessary and which may materially impair the Company's financial status and operating results, comprising:
 - a) Issue that has conflict of interest
 - b) Issue of fraud or irregularities or material defect in the internal control system
 - c) Breach or violation of the laws of securities and exchange, regulations of the stock exchange, and laws relating to the Company's business.

Other than that the following transactions require approval from the shareholder meetings and at least 3 out of 4 votes from shareholders who attend the meetings and have right to vote.

- a) Selling or transferring of some significant parts or all of the Company's business to other persons.
- b) Buying or receiving businesses from other public or private companies.
- c) Amending or canceling contracts concerning renting out some significant parts or all the Company's business, delegating other persons to manage the Company or merging business with other persons with the objective to share profit and loss.
- d) Editing the memorandum or the Company's regulation
- e) Increasing capital, decreasing capital, issuing debenture of the Company
- f) Merging or seizing the operation.
- g) Other issues according to the laws

In addition, the directors have to make sure that the Company abides to laws and regulations of the Stock Exchange of Thailand.

Duties and Responsibilities of the Chairman

1. Be responsible as the Company's director and the Board of Director's leader
2. Controlling and monitoring management's and sub-committee's operating to achieve the operating object.
3. Call the Meeting of Board Directors and/or Shareholders Meeting
4. Be a Chairman of the Board of Directors meeting and/or Shareholders Meeting and controlling the meeting to properly and achievement
5. Supporting directors and shareholders to express their opinions independently.

Duties and Responsibilities of the Nomination & Remuneration Committee

1. To determine the scope of work and method on the selection and recruitment of the Company's directors or the sub-committee whose retired by rotation or seat is vacantly for approval and/or to the shareholders' meeting, as the case may be.
2. The determine necessary and appropriate compensation both in terms of money and other benefits for the directors, sub-committee's directors and the executive directors each year. The compensation proposal shall be forwarded to the Board of Directors for approval, or to the shareholders' meeting, as the case may be;
3. to consider the criteria for performance appraisal in order to determine appropriate annual compensationTo be accountable to the Company's Board of Directorsby explaining and answering the questions regarding the directors' compensation during the shareholders' meeting.
4. Arrange the meeting at least once a year, Teleconference is available to consider its matters.
5. To execute any other works as assigned by the Board of Directors.

Duties and Responsibilities of the Executive Committee

1. Prepare and present business policy, objectives, operation plan, business plan, investment plan, and annual budget of the Company to get an approval from the Board of Directors.
2. Follow up, manage, and monitor the Company's operation to ensure that the operation is effective and conforms to the Company's goals or business direction in order to strengthen the Company's business; screen topics to be presented to the Board for consideration; and conduct the business as assigned by the Board; as well as report the results to the Board.
3. Supervise and monitor the Company's business operation to conform to policy, objectives, operation plan, business strategy, and budget as approved by the Board.
4. Consider and determine organization structure and management authorization, compensation policy, and salary structure to cover all details including selection, employment, compensation and benefit, transfer, training, and layoff.
5. Plan and screen both long-term and short-term plan to fulfill the Company's objectives and goals.
6. Appoint or assign one person or more to conduct a business in place of the executive committee as see fit, whereas the executive committee can cancel, withdraw, change, or revise such authorization.
7. Have the authority to approve any operation or expenses for business operation which is exceed the amount of the normal operation or the amount that the administrators can authorize according to the Company's regulations or annual budget approved by the Board.
8. Consider regulations regarding authorization for management level and operation level which cover financing, accounting, procurement, investment, mortgage and loan, guaranty, selling and transferring of assets, signing contract or agreement, and other operation as see fit.
9. Perform their duties as being assigned by the Board.

- | | |
|---|--|
| <p>10. Perform their duties according to laws, objectives, rules and regulations of the Company.</p> <p>11. Plan and screen financial management for financial relief and stronger financial structure.</p> | <p>12. Plan and screen proactive public relation for good and sustainable image.</p> |
|---|--|

However, approval of any transaction by the Executive Committee will not include approval of such transactions that the Executive Committee or persons who may have conflicts of interest with the Company and/or the Subsidiary; transactions that have to get consent of the shareholders for related transactions; and trading of important assets of the Company and/or the Subsidiary; to comply with laws relating to the Company's business and regulations set by the Securities and Exchange Commission and the Stock Exchange of Thailand.

Duties and Responsibilities of the Company Secretary

- 1) preparing and keeping the following documents:
 - a) a register of directors;
 - b) a notice calling director meeting, a minutes of meeting of the board of directors and annual report of the company
 - c) a notice calling shareholder meeting and minutes of the shareholders' meeting
- 2) Keeping a report on interest filed by a director or an executive,
- 3) Performing any other acts as specified in the notification of the Capital Market supervisory board.

Selection of Committee members and Chief Executive Officer

The qualification of Independent Directors and Audit Committee

Defination of the Independent Directors

1. Holding shares no more than 1% of registered and paid-in capital of the Company and related companies, including shares held by related persons of the committee members;
2. Having neither conflict of interest with the Company and related companies nor gain/lost in terms of financial or business management either in the past or at the present, as well as not being a member of independent committee in such nature as,
 - An executive director, an employee, a staff, an advisor who receives salary, or an authorized person of the Company.
 - A professional such as auditor, law consultant, financial consultant, or asset appraiser
 - Any related person that has business relationship with the Company such as buy/sell product and service, buy/sell assets, give/receive financial support
3. Not being a person related by blood or registration under laws, such as father, mother, spouse, sibling, and child, including spouse of the children, executives, major shareholders, controlling persons, or persons to be nominated as executives or controlling persons of the Company and its Subsidiary;
4. Having no business relationship with the Company, the Subsidiary, or juristic person who may have conflicts of interest, in the manner which may interfere with his/her independent judgment, and in a manner that prevents the committee member from presenting the opinion freely about the Company's operation;

5. Not being a member of the audit committee or any committee in other public companies such have type of business same the Company.

The term of Independent Directors will be as the term of Company's director, eventhough its over 9 years of tenure of Directorship but suitable for comment freely and perform in accordance with the relevant guidelines.

Audit Committee consists of independent committee of at least three persons. The term of office is three years. In addition, at least one of the Independent Committee who is a member of the Audit Committee must has sufficient knowledge and experience in accounting or financing to be able to perform duty in examining the reliability of the financial statement. The Company will also consider other qualification such as business experience and expertise, and ethics as well.

Selection of the Board of Directors and Top Executive

Director, according to the Company's regulations, at every annual general shareholder meeting, one third of the directors must leave the Board. Every year the Company will invite the Company's shareholders to propose person to be elected as the Company's director which will be considered the qualification of the candidate by the Nomination and Remuneration Committee for propose the Annual General Shareholders Metting.

1. The directors must perform their duties according to laws, objectives, and regulations of the Company, as well as the resolutions of the shareholder meetings.
2. The Board of Directors must consist of no less than five persons and more than half of the Board members must be residences of Thailand. All of the Board members must have qualification as required by laws.
3. The Board of Directors must compose of independent committee members of no less than one third of all members and no less than three persons. The Independent Committee must hold shares no more than 1% of the registered and paid-up capital of the Company and related companies, including shares held by related persons of the committee members. Directors who are independent committee members of other related companies must disclose such information and remuneration receiving form that company as well.
4. The shareholder meeting is responsible for appointing directors on the basis of majority votes under the following rules and methods,
 - 4.1 A shareholder shall have one vote for each share held.
 - 4.2 Committee election can be made through an individual or a group to be committee according to shareholder meeting. To vote, no matter individual or group who the shareholder vote will be the voice according to the number of stocks that the shareholder holds under Item 1 in which the mentioned shareholder cannot divide their voices to any individual more or less than others.
 - 4.3 Candidates shall be decided on the basis of majority of the vote cast. In case of a tie of votes, the Chairman presiding over the meeting shall have the casting vote to decide who will win the tie.

5. In case there is a vacant seat in the Board because of a particular reason other than expiration of terms, the Board shall select a person who meets qualification and qualified by laws according the Public Company Limited Act B.E. 2535 to be an acting board member for the next meeting, unless the term of the Board is less than two months. The acting board member will be in position for the remaining term of the member being replaced. The resolution of the Board of Directors must be from the vote of no less than three-fourth of the remaining members of the Board.
6. The shareholder meeting may vote to have any of the directors to leave the Board of Directors before the end of the term. The vote must be no less than three-fourth of the number of shareholders attending the meeting and having rights to vote with the total number of shares no less than half of total numbers of shares of all shareholders who attend the meeting and have rights to vote.

Nomination of Chief Executive Officer/ Managing Director The Nomination and Remuneration Committee will nominate qualified candidate with skills, competence, expertise and experience in the specific field of the Company's business, under the following criteria:

1. Have qualifications according to Section 68 of the Public Limited Companies Act, B.E. 2535 (1992) and notifications or regulations of the Stock Exchange of Thailand ("SET") and Office of the Securities and Exchange Commission ("SEC").
2. Have specific skills, competence and expertise and diversified experience beneficial to the efficient business operation of the Company.
3. Have personal traits that support corporate governance principles, such as be a person with morality, independence, assertiveness, creativity, prudence, honesty and full dedication to performance of duty for the Company.

Supervision the operations of subsidiaries

3 subsidiaries consist of Neastern Steel Co., Ltd., Mega Trans and Logis Co., Ltd., and Grand Steel Pipe Co., Ltd. was held by the company more 90% of registered capital. Hence the management policy will be set by the company to match the business. The directors in subsidiaries are the representatives from the company to determine the operation policy

3 subsidiaries use same both the Internal Control and Statement of compliance with TFRSs, including Related Transactions.

Neastern Steel Co., Ltd.	Position
1. Mr. Sombat Leeswadtrakul	Chairman of Board
2. Mr. Sangrung Nitipawachon	Director
3. Miss Bunsri Panyapiamsak	Director
4. Mr. Montian AmornLertvimarn	Director
5. Mr. Swad Panapongwasin	Director
6. Mr. Supot Wongstitporn	Director
7. Mr. Preeda Wongstitporn	Director

Mega Trans and Logis Co., Ltd.	Position
1. Mr Pakorn Onkeaw	Director
2. Mrs. Chuthamas Pewnuan	Director
3. Miss Kulwrint Saphu	Director

Grand Steel Pipe Co.,Ltd.	Position
1. Mr. Sombat Leeswadtrakul	Chairman of Board
2. Mr. Sangrung Nitipawachon	Director
3. Miss Bunsri Panyapiamsak	Director
4. Mr. Pongdet Lersithisak	Director / MD

Compliance with the Principles of Good Corporate Governance

In August 2018, the Board of Directors reviewed the compliance with good corporate governance principles. Together with the management, the Board established policies in accordance with the Corporate Governance Code (CG Code) of the Securities and Exchange Commission with 8 guidelines to deploy according to the business context of the company. Adopting the right innovation and technology to support the business strategy, covering all the factors that change around, and taking "stakeholders" into account in both impact and value that will occur for managing important resources (Details of the practices appear in the Corporate Governance Guide on the Company's website) will create value for sustainable business operations. In addition to creating confidence for investors which emphasizes corporate governance and the environment and society which many companies have already performed, during the year 2018, the Board reviewed the issues that have not been implemented. These issues take time and study to suit the organization of the company.

Corporate Social Responsibility (CSR)

Policy Overview

The Company is well aware that the society and the environment are the key factors leading to the sustainable development in the long run. The Board of Directors intends to apply to its business management the 8 principles of the criteria and framework for report of social and environmental responsibility (“CSR”) for all stakeholders, and to promote employees’ awareness and consciousness of initiating CSR activities starting from the society and community closest to them, which would be developed as a corporate culture.

Business operation and preparation of reports

The company prepares reports along the line of the SET’s Responsibility To The Society report in order to demonstrate the approach taken by the company and its subsidiaries which are vigilant on those who may gain or lose and develop each area for sustainable business growth. The company has compiled the information in 2015 to inform the shareholders and investors so they can understand how accountable the company is in each dimension i.e. economic, society and environment that has been referred to by this report.

Clause 1. Conduct of business with fairness

Business ethics policy has been put in place to support the Company’s business operation with ethics, compliance with laws, having no beneficial interest or conflict of interest, keeping confidentiality of inside information, and prevention of use of inside information for personal benefits. It comprises code of conduct for directors and management members, code of conduct for employees, and that toward stakeholders. Such policy and procedure information has been disseminated via the Company website www.ss.co.th for acknowledgment and adherence by all stakeholders, i.e. directors, management members, employees, business partners and other concerned parties of both the Company and its subsidiaries. Training courses on this issue have also been provided for orientation of new joiners and as refreshing courses for management members and employees organization-wide to ensure their awareness and understanding.

Clause 2. Anti-corruption

Part of social development and environmental sustainability is a common defense against corruption which is a major problem. Apart from unfairly reducing the competitiveness of businesses, corruption also causes damage to society and the nation as a whole. The company has a policy against corruption and guidelines with details of the policy on its website for personnel within the organization and external parties to acknowledge the intentions and practices in the year 2018. The company has implemented practices and measures to prevent corruption as following

Train and advertise policies to prevent and combat corruption for newly joined staff and committee to learn how to practice.

Issue a circular informing its customers and partners of the company joining in the year.

Review measures and guidelines for internal audit to be tightened. Cover all aspects such as donations, reception, and gift giving which the company’s policy is not to give gifts to entities other than the company’s customers.

Review of risks that could cause corruption.

Audit process of business dealing with the risk of fraud including licenses granting during the year and tax label, etc., to report the results of the audit to the Board of Directors.

Clause 3. Respect for human rights

The Company has set employee regulations under the principle of respect for basic human rights according to international standards, without discrimination as regards birth place, race, religion, sex, age, skin color, disability, status, educational institute, or any other status not related directly to the work performance, including also respect for individuals and human dignity, as part of business ethics toward stakeholders. So far, the Company has had no record of being complained of violating human rights.

Clause 4. Fair labor treatment

The Company has always realized that employees are an essential resource and key driver to the achievement of business targets. Therefore, it has set as part of the business ethics for stakeholders procedure and practice for fair treatment of employees in respect of career opportunity, compensation, promotion, rotation and fair and appropriate benefits such as:

- With respect to developing workers' capability, the company has established a plan to develop human resource based on annual training curriculum appropriate for each type of job, both internally (in-house) and externally (public training) including training via video conferencing so that the workers can apply the knowledge to improve work efficiency and effectiveness.

- To improve development potential, the company planned to develop its human resources by providing annual orientation courses for each segment in the company. The orientation courses include in-house training, public training, and video conference. The courses were set up with curriculum divided into categories based on work skills of different groups, including basic training skills and management skills for the purpose to provide its human resources with useful knowledge to put in the work in the development of their effectiveness. By the year 2018, there were more than 150 participants from the company's intranet and subsidiaries joining these courses of the average of not less than 12 hours depending on their nature of work.

- The policy of Occupational Health and Safety Management was determined and announced in October 2014 in chapter 1 in the training category on all employees. In 2018, the company and its subsidiaries controlled accident and illness rate at work which was average 8 persons per 406.867 working hour. And rate of absent average 300 days.

policy of Occupational Health and Safety

2S Metal Co.,Ltd produced and distributed metal products with Occupational Health and Safety management system which was critical to the business and that led the company to implement policies as follows:

1. Commit to improve and innovate management system with regard to Occupational Health and Safety in workplace in accordance with the legal requirements laws of Thailand including international laws and other related requirements.
2. Inform all employees about the importance of work. Prioritize safety especially personal safety and fire incidents.
3. Review and improve workplace, machinery, tools, and equipments to protect personal safety to be available to use at full capacity at all time.
4. Inform all employees of all levels and sectors to follow the safety rules established by the company
5. Support human resources in appropriate manners suitable with the nature of their work in regard of the Occupational Health and Safety principle. Aim to develop the company's human resources with knowledge and build ethical foundation in term of health and safety, and work environment.
6. The company places importance on safety at top priority in overall performance assessment. The Directors of all levels are responsible to supervise and support safe operation and efficient performance. All employees should also fully cooperate in operating safety principles

- Get together parties between the management and workers/ staffsof the company and its subsidiaries are organized under 2 formats i.e. monthly parties in which announcements and information are shared and the birthday celebration of workers/staffs in any particular month. Another get together party is the New Year party with focus on rewarding the dedication and sacrifice of workers/staffs for their work throughout the past year.



Clause 5. Responsibility for consumers

The company accords high importance in serving customers and is conscientious of their needs and their satisfaction. The company conducts annual survey to assess the customers' satisfaction on its products and services. The feedback is used to improve the product quality and enhance efficiency of the services in the future. In 2018, the outcome of the random survey on customer's satisfaction of a sample of 255 customers from all branches including Had Yai, Bangkok andKorat achieve average satisfaction score of 84.7% . The customers rated their interests on three main issues: Quality of products, reasonable price and prompt delivery of goods,.

Apart from this, the company arranged many channels to disseminate useful information to customers about the products or its business and on the safety of steel products. Customers can conveniently use the same channel to lodge any complaint or feedback to the company.

Clause 6. Taking care of the environment

The Company also values the environment in respect of both noise and air pollution. The factory and production line conditions are inspected every year. Moreover, carbon dioxide emission from the production line is at very low level under close control and monitoring at all times.

Main measures to conserve energy. The company has two measures in energy savings i.e. measures for office section and production section. For the office section, the company has been driving the staffs to help conserve electricity and shut the computer monitor during lunch break from 12.00-13.00 hrs. For the production section, the company has gradually change light bulbs to LED since 2014 until the present. Inverter motors were installed and inspections conducted for any air leakage in the machinery followed by necessary repairs and using the work coil on the joint machine. Such measures helped reduce the use of electricity, Solar Roof top.

Clause 7. Participation in community and social development

Community and social development activities in various areas have been categorized to facilitate supports and development thereof.

Society and environment category starts from factory internal environment and nearby community through volunteering i.e. Organize blood donation, activities in emergency case, flooding

For Conservation of Nature Korat - Chaiyapoom "dedicated to reforestation, building dams for The Nation's Father" Society.



- * Give gifts on Children's Day in Children's festival at Wat Noon Mhun with SAO to honor the King.
- * Support the Officer in the "Drink don't Drive" campaign on Songran Festival
- * Support steel for the construction of a parking garage at Non Soong police station

Education Category In every year, the company places importance on youth development and decided to create a project to support children for them to acquire proper education. This includes helping schools in remote areas which lack basic facilities and donating old computers to schools and

polytechnic colleges for educational purpose. Visiting polytechnic college will also help youths study the actual production processes and operation in the system.

Religion and culture category as the company promotes the mindset of employees to maintain cultures and religions, make donation to restore or reconstruct temples, build sermon halls, and hold merit-making events.

Clause 8. Use and sharing of innovation from the operation that is responsible for the society, the environment and stakeholders

At present, the Company has studied and planned for procuring new innovations to optimize the business development under a sound control process to benefit the society, the environment and stakeholders.

Business Operation That May Affect Social Responsibility

The Company and its subsidiaries give priority to and conduct factory and environmental inspection according to the standard procedure regularly every year. Furthermore, for protection against noise pollution, all concerned employees are instructed to wear safety equipment such as earmuffs all the time while working.

Internal Control and Risk Management

In the Board of Director's meeting no. 1/2018 held on 27, February 2018, the company assessed internal control system of the assessment report of the Audit Committee. The assessment concerned with 5 elements which were internal control, risk assessment, management control, information system and data communication, and follow-up system which was concluded that the company's internal control system was operated effectively and efficiently. Not only does the company have human resources who can work the process effectively, but also and has internal control system that can protect the company and its subsidiaries' assets from wrongful and corrupt actions. For the internal management of other areas, the committees agreed that they were effectively controlled in satisfactory manners.

Apart from this, the company's account auditors evaluated the internal control system and financial statements of the company and its subsidiaries ending on 31st December 2018. No system's defects or frauds of internal control system were found to have any significant impact on the financial statements on the company and its subsidiaries.

Miss Karawan Maitreepirom

Age 58 yrs.

Internal Audit Manager

Tenure of Management

16 October 2014

Working experience in the past 5 years: -

Education Background

- B.A. (Accounting), Ramkhamhaeng University
- Internal Audit Procedure, The Institute of Internal Auditors of Thailand
- Tools and Techniques for the audit Manager, The Institute of Internal Auditors of Thailand
- Audit Report Writing, The Institute of Internal Auditors of Thailand

Shareholding proportion (at 15 March 2019)

67,500 หุ้น

Family Relationship with the other directors

- None -

Related transaction

The Company and subsidiary may has conflict of interest transactions. By the fiscal year of 2018, the related transaction as follows:

■ Normal business transaction of steel product

	Nature of Relationship	Nature of Transaction	Value (Bt.million)
Neastern Steel Co., Ltd.	The subsidiary, holding by Company 99%	The Company has sold the finished products such as square tube , round tube for production	2.52
		- accounts receivable -	0.00
Grand Steel Pipe Co.,Ltd	The subsidiary, holding by Company 97%	The Company has sold the raw material for production	258.93
		- accounts receivable -	94.53
United Steel Pipe Co.,Ltd.	Group of Executive management has hold the company's shares.	The Company has sold the raw material for production	149.05
		- accounts receivable -	43.29
		The Company has bought the finished products such as square and round tube for sell out.	307.63
		- accounts payable -	6.84
City Metal Co.,Ltd.	Group of Executive management has hold the company's shares.	The Company has sold the raw material for production	20.78
		- accounts receivable -	0.00
		The Company has bought the finished products such as square and round tube for sell out.	409.75
		- Deposit for purchase goods -	0.24

Opinion of the Audit Committee:

The Audit Committee has reviewed the above transactions and viewed that they are necessary and reasonable, and have been carried out in the normal course of business with pricing set at market price and some products not being produced at the company itself.. The Company has set more stringent policy on such transaction pricing and ensured that persons with possible conflict of interest are not involved in the decision making.

■ Others

	Nature of Relationship	Nature of Transaction	Value (Bt.million)
Nana Watsadu Furnitures Co.,Ltd.	Director is the close relationship with the company's managment	Company has bought some facilities for production, such glove, glue, etc.	0.06
		- accounts payable	0.01

	Nature of Relationship	Nature of Transaction	Value (Bt.million)
Kwangfha Lohakit	Director is the close relationship with the company's management	Company has bought some facilities for production, such Steel welding mark, brush paint Stone grinding, etc.	0.05
		- accounts payable	0.00

Opinion of the Audit Committee::

The Audit Committee has reviewed the above transactions and viewed that they are necessary and reasonable, and have been carried out in the normal course of business. Such companies can provide convenience with delivery of the products to the Company and the Subsidiary. However, the Company and the Subsidiary have set policy on procurement of these supplies, thereby comparative price and trade conditions basis are applied. These transactions are arising in the normal course of business with fair price and conditions thus do not lead to conflict of interest.

■ **Engagement**

	Nature of Relationship	Nature of Transaction	Value (Bt.million)
Mega Trans and Logis Co.,Ltd.	The company's subsidiary	Transportation service for the Company's products	64.74
		- accounts payable	1.31
Neastern Steel Co., Ltd	The company's subsidiary	Manufacturing and sales of steel pipe, steel plates and L-Channel etc.	82.73
		- accounts payable	6.62

Opinion of the Audit Committee::

The Audit Committee has reviewed the above transactions and viewed that they are necessary and reasonable, and have been carried out in the normal course of business. Such companies can provide convenience with delivery of the products to the Company and the Subsidiary. However, the Company and the Subsidiary have set policy on procurement of these supplies, thereby comparative price and trade conditions basis are applied. These transactions are arising in the normal course of business with fair price and conditions thus do not lead to conflict of interest.

■ **Properties**

	Nature of Relationship	Nature of Transaction	Value (Bt.million)
United Steel Pipe Co.,Ltd.	Group of Executive management has hold the company's shares	Warehouse rental, Period 3 years (1 January 2017 – 31 December 2019) for Baht 100,000 per month.	1.20
		- accounts payable	0.00
Neastern Steel Co., Ltd.	The subsidiary	Warehouse rental, Period 3 years (1 July 2017 – 30 June 2020) for Baht 390,000 per month excluding utilities.	5.05
		- accounts payable	0.03

Opinion of the Audit Committee::

The Audit Committee has reviewed the above transactions and viewed that they are necessary and reasonable, and have been carried out in the normal course of business. Such companies can provide convenience with delivery of the products to the Company and the Subsidiary. However, the Company and the Subsidiary have set policy on procurement of these supplies, thereby comparative price and trade conditions basis are applied. These transactions are arising in the normal course of business with fair price and conditions thus do not lead to conflict of interest

Approval Process of Related Transactions

At present, the Company's approval process of related transactions is in line with Securities and Exchanges Act, and regulations, announcements, directions, and provisions of the Stock Exchange of Thailand. Directors or related parties who may have a vested interest or conflict of interest with the Company or the Subsidiary in any transaction have no right to vote in such matter.

Future Related Transactions

Normal business transactions and other supporting transactions with general business conditions

- Selling and purchasing of steel products between the related companies and the Company and the Subsidiary occur continuously because there are some steel products that cannot be produced by the Company and the Subsidiary or not worthwhile to produce. Moreover, transaction of products for trading or inventories of products for trading can still occur in the future. The Company and the Subsidiary will take necessary action when consider that there is a necessity to meet the customers' demand and benefit can be gained from such transactions at an appropriate rate.
- The Company and the Subsidiary purchase motor oil, furniture and other equipments used in the factories from related companies since the Company and the Subsidiary have necessity to order such goods to use in production process. Moreover, such companies can provide convenience with delivery of the products to the Company and the Subsidiary.
- The Company and the Subsidiary hire related companies to transport steel products occasionally since the Company and the Subsidiary do not have enough trucks to haul steel products from Bangkok to its plants.

The Company and the Subsidiary place policy in related transactions to comply with normal course of business. Price and conditions are clear and justified and can be compared to market price of unrelated persons thus transfer of profit cannot occur. However, the internal audit department will review and inspect such transactions and prepare reports for the Audit Committee to consider and give opinion about price and transaction reasonability in every quarter.

As the persons with possible conflict of interest of the Company and/or the Subsidiary are largely involved in the steel industry and the Company and the Subsidiary have high possibility to make the related transaction of the steel product. Therefore, the Company has set stringent measure on delegation of approval authority for such related transactions of the Company and the Subsidiary to ensure transaction transparency and reasonableness and pricing appropriateness, as summarized below.

<u>The total amount per approval of 1 related transaction per 1 person with possible conflict of interest</u>	<u>Authorized persons</u>
Not exceed Bt. 10,000,000 per week	The Managing Director Reports to the Board of Directors in a meeting in which the Audit Committee is also attending. Such transactions will be reported quarterly.
More than Bt. 10,000,000 but not exceed 25,000,000 per week	The Board of Directors Reports to the Board of Directors in a meeting in which the Audit Committee is also attending. Such transactions will be reported quarterly.
More than Bt. 25,000,000 per week	The Board of Directors Informs the Audit Committee about details of such transactions prior to processing of the transaction.

Note: An initial approval of transaction by an authorized person will not include an approval of a transaction that an authorized person or a person with possible conflict of interest is a stakeholder or a person that has any conflict of interest with the Company and/or the Subsidiary; a related transaction that must receive a written consent of shareholders; and an acquisition or disposition of important assets of the Company and/or the Subsidiary. So it is conforming to regulations of the Stock Exchange of Thailand, the Securities and Exchange Commission, or any regulations related to the business.

All members of the Audit Committee are aware of such duty regarding approval of related transactions. In case of an appointing of a new audit committee member in the future, the Board of Committee or the Managing Director will inform the candidate about this duty prior to the nomination.

Normal business transactions and other supporting transactions without general business conditions

The Company expects that in the future such transactions may occur in both the Company and the Subsidiary. Therefore, the Company and the Subsidiary will ensure transaction transparency and fairness and make sure that there is no transfer of profit related to such transactions in order to comply with Securities and Exchanges Act, and regulations, announcements, directions, and provisions of the Stock Exchange of Thailand. The Company and the Subsidiary will also follow regulations regarding disclosure of related transactions and acquisition or disposal of corporate assets. Stringent measurement on delegation of approval authority for such related transactions will be set so that persons with conflicts of interest will have no involvement in considering and approving of such matters. The Audit Committee shall give opinion regarding the related transactions and present to the Board of Directors and/or the shareholders meeting to use as support information for consideration and approval of the transaction. In addition, disclosure of related transactions shall be followed up to make sure its compliance to the Company's policy and the result shall be reported in the Notes to Financial Statements audited by the Company's auditors, as well as Form 56-1 and Annual Report.

Report of the Audit Committee

The Audit Committee is appointed by the Board of Directors composing of 3 independent committee. Each meets the required qualification standardized by the Office of the Securities and Exchange Commission regulations in the year 2018. The Audit Committee held a meeting, a total of 4 times independently within the scope of authority as stipulated in the charter of the Audit Committee and has been authorized by the Board of Directors with the cooperation of all parties involved. The results of the meeting of the Audit Committee are summed as following

1. Review the critical information of quarterly financial reports and the finances in the year 2018, together with the auditors, and executives involved. This ensures that the financial report of the company has been prepared properly as it should, in all material respects with the accounting standards and financial reporting standards. There is adequate disclosure, both complete and reliable, with hearing statements from the auditors, account managers and executives involved. Information on financial reporting. The auditor has approved unconditionally.
2. Review the operation of the internal audit unit to be based on internal audit plan for the year 2018 which was approved. Follow the report from the audit of the Company's internal audit department and progress in improving upon the recommendations of the auditors and the internal audit unit.
3. Review compliance with the Securities and Exchange Law, the requirements of the Stock Exchange As well as other laws related to the Company Quarterly.
4. Consider the nomination and the remuneration to the Auditor for the year 2019 to the Board of Directors for the General Meeting of Shareholders to consider and approve.
5. Consider connected transactions or transactions that may have conflicts of interest in accordance with the laws and regulations of the Stock Exchange of Thailand. The company has disclosed information correctly. The mentioned transactions relating to aspects such as policies and procedures are operated correctly and ethically. There are generally fair and reasonable commercial terms which do not pose a conflict of interest.

The Audit Committee is of the opinion that in the year 2018, the company's corporate governance and internal controls are appropriate. The result of the financial report of the Company is managed in accordance with generally accepted accounting standards and the disclosure is managed in accordance with the laws and regulations involved.

Mr. Surapon Satimanont
Chairman of Auditcommittee

Management Discussion and Analysis (MD&A)

Operating Results

In 2018, the Company's net profit was Baht 105.55 million, representing an decrease of 62.93% when compared to the same period of 2017. The major factor contributing to this decrease of net profit was the cost of products in the stock was higher than average market price while its price decrease during of year. That effected the capability of margin, thus the gross margin was decrease from previous year.

Revenue from Sales

Revenue from Sales in 2018 was in amount Bt. 5,449.51 million, or 20.47% increased in comparison with 2017. The quantity of Sales increased 13.07% and average price contracted by 6.54%. Total revenues from sales of the Company consists of revenues from sales of such formed steel products and revenues from trading of other formed steel products with the amount 70% and 30%, respectively.

Revenues from such formed steel products decreased in amount Bt. 352.18 million, or 10.18% increased in comparison with 2017. Meanwhile, the revenues from trading increased 50.52%.

In 2018, revenue from local sales by the Head Office branch (southern region) increased by 25.3%, Korat branch (northeastern region) decreased by 8.74% and Bangkok decreased by 19.38%. The subsidiary in Lao PDR has increased volume of Sales by 28.65% from previous year.

Cost of Sales

In 2018, the company had Cost of Sales of Bt. 5,092.02 million, or 28.43% increased in comparison with 2017 by the cost of raw materials increased.

Cost of sales of revenue from formed steel processing was about 65-70%, most of which is the cost of raw materials i.e. hot-rolled steel sheets which increased or declined in line with world markets and other cost of sales e.g. import transportation cost, direct labor, cost of production etc.

Cost of sales from trading of steel was about 25-30% of the total costs, which will be fluctuated according to value of steel price sold by the Company.

Gross Profit

Gross profit was in amount Bt. 357.49 million, or 6.56% decreased when compare to the same period of 2017 which gross profit margin was 12.36%. This resulted in the cost of goods to be in accordance with the market value at that point.

Selling and administrative expenses

The major selling expenses consist of transportation, fuel, and sales promotion. The Company's selling expenses of 2018 were Bt.131.43 million or increased by 13.07% according to the quantity of Sales increased.

Administrative expenses was Bt. 93.76 million or 1.72% of the Revenue from Sales, consisting of salary, director compensation, bonus and employees' benefits (per accounting standards volume 19) including provision for bad debts and foreign exchange losses.

Financial cost - interest expense

The company's interest expense was Bt. 15.82 million, decreased from 2017 by 4.93% . This arose from the use of loans from financial institutions and turned it into working capital for interest payment. This helped the company to acquire better flowing liquidity in working process.

Financial Status

Assets

The company's total Assets was Bt. 1,857.46 million baht, decreased 3.72% when compared to 2017, divided into the Current assets was Bt. 1,267.38 million, or 68.23% of total assets, consisting of inventory Bt. 632.01 million, decreased of 16.91% from 2017 and deposits on purchase of goods of Bt. 203.0 million, decreased of 1.3%. For Non-Current Assets of 590.08 million baht, an increase of 45.11 million baht, attributable to the higher appraised value of the Property-plant and equipment.

The return on assets of 2018 was 5.57% decreased from 2017 which has return on assets 15.46% accordance to the above mentions.

Inventories

The company has net inventory of Bt. 632.01 million, or 16.91% decreased from 2017, consisting of raw materials, work in process, finished goods and goods in transit, all of which had contracted from the prior year.

For steel price in 2018, there was a value decrease during of the year, resulting in the loss of inventory value as at end of 2018 of Bt. 12.52 million (please see additional details in the heading "losses from the cost of inventory being higher than the sales value") with average period of 49 days. The company has a policy to maintain inventory efficiently in line with the sales volume by considering the direction of product prices and demand together.

Trade account and note receivables - net

In 2018, the company has trade receivables and notes receivables of 353.88 million baht or 19.05% of total assets which increased by Bt 37.51 million or 11.86% form 2017 and there were additional bad debt provision from 2018 for certain trade debtors.

	Y2016		Y2017		Y2018	
	Million Bt.	%	Million Bt.	%	Million Bt.	%
Trade accounts receivable - general customers and related companies						
Not yet due	256.10	85.08%	254.78	77.99%	298.69	82.06%
Past due						
Less than 3 months	32.63	10.84%	59.64	18.26%	54.60	15.00%
3 - 6 months	3.05	1.01%	1.94	0.59%	0.23	0.06%

	Y2016		Y2017		Y2018	
	Million Bt.	%	Million Bt.	%	Million Bt.	%
6 - 12 months	1.53	0.51%	1.90	0.58%	0.50	0.14%
Over 12 months	7.69	2.56%	8.41	2.58%	9.98	2.74%
Total	301.00	100.00%	326.67	100.00%	364.00	100.00%
<u>Less</u> Allowance for doubtful accounts	(7.46)	(2.48%)	(10.30)	(3.15%)	(10.12)	(2.78%)
Trade accounts receivable - general customers and related companies - net	293.54	97.52%	316.37	96.85%	353.88	97.22%

For sales and credit policies, the Company has a clear policy to consider giving credit term for each customer. For a new customer, the Company will sell products for cash until a certain period of business transactions, then a credit term will be given for 7-60 days. The Company has criteria in place to analyzing of trade accounts and assessment to be done by the Managers of Accounting Department and Marketing Department and proposed to Managing Director for approval before setting allowance for doubtful accounts. Criteria for setting allowance for doubtful accounts consist of:

1. Trade accounts with over 4 months up to 6 months overdue receivables, who are still contactable and show intention to pay, will be monitored closely and sales may be suspended temporarily probably together with other acceleration measures to be taken. However, if there is a tendency that the debt may not be collected in full, 25% of total overdue debt value will be set aside as allowance. In case of accounts that cannot be contacted, legal actions will be taken and 50% of total overdue debt value will be set aside as allowance for doubtful accounts.

2. In case of trade accounts with over 6 months up to 1 year of overdue receivables, who are still contactable and show intention to pay, 50% of the total overdue debt value will be set aside as allowance for doubtful accounts. However, if there is a tendency that the customers cannot be reached, or show intention to avoid payment, or are under prosecution and possibly be unable to pay the debt in full, 75% of the total overdue debt value will be set aside as allowance for doubtful accounts. In the worst case, if the debt could possibly be completely uncollectable, 100% allowance will be set aside.

3. In all cases of trade accounts with over 1 year of overdue receivables, 100% allowance will be set aside.

Property, plants and equipment

Land, plants and machinery – net as of end of 2018 totaled Bt. 546.00 million, increase from 2017 of Bt. 45.0 million or 8.98% increased, due to the investment of Solar Roof top of the Company and Subsidiary.

Liquidity

For 2018, Net cash from operations was Bt. 193.34 million, derived from pre-tax profits of 129.31 million baht and adjusted cash inflow (outflows) from net profits from operations in which the majority consists of depreciation of 38.08 million baht, resulting in net profits from operations from the change in assets and liabilities of 196.14 million baht. After adjusted for the change in assets and liabilities which consist of the decrease of Account receivable was 37.32 million baht and the Advance payment for goods which decreased by 2.67 million baht, then adjusted for the reduction of cash received from operations with interest expenses and corporate income tax of 15.86 million baht and Bt. 65.18 million, respectively.

On the other hand, Cash flows from investing Activities of Bt. 83.05 million. And the Cash flows from Financing Activities was 118.09 million baht, which from the loans of financial institutions in amount Bt.46.40 million, and 71.50 million baht for dividend payments. Therefore, the cash and cash equivalents net in 2018 decreased by Bt. 7.80 million and the cash and cash equivalents at end of year was 64.83 million baht.

The Current ratio in 2018 was 2.48 times and Quick cash ratio was 0.82 times due to the company having utilized working capital marginally to support higher sales and lower investment outflows.

Capital structure

The financing structure in 2016-2018 shows the ratio of liabilities to shareholders' equity of 0.67 times, 0.51 times and 0.41 times respectively. Further the past performance, such ratio indicates that the company has strong financial position.

Liabilities

As of 2018, the company has total liabilities of 543.27 million baht consisting of current liabilities of 510.34 million baht and non-current liabilities of 32.93 million baht. Total liabilities decreased Bt. 111.74 million or 17.22% when compare the previous year, due to the short term loan from financial institutions and Accrued Income tax.

Shareholders' equity

As of end of 2018, the company has shareholders' equity of 1,314.19 million or 70.75% of total assets. The return on equity is 8.12% which is in line with the company's ability to generate net profits from different periods and the key factors abovementioned.

Factors that May Affect Financial Position and Operating Result

- *Risk from fluctuations of raw material prices*

Prices of hot rolled coil, the main raw material in production, change according to the global supply and demand situation. If the raw material prices increase, and the Company cannot, partially or fully, pass on the rising cost to the customers through selling price adjustment, the Company's future profitability would be affected. The company's gross profit margin during 2016-2018 was 15.23%, 12.36% and 6.56% respectively.

The responsibility of the company's Board of Directors on the financial reporting

Board of Directors was liable to manage and consolidate the company's financial statements and financial information presented in the annual report. The financial statements and notes accompanying the financial statements were prepared in the line with the generally accepted accounting standards. With the Directors lending their supports, the financial report presented best estimation and adequate disclosure of important information in the notes to financial statements to benefit the company's shareholders and investors.

The Board of Directors has established and maintained effective internal control system to ensure correct and sufficient accounting information was prepared. In order to secure the financial information reliability, protect the company assets, and prevent corruption in process, the company's Board of Directors entrusted Audit committees that included independent auditors, to be responsible to 1) review and oversee the company's accounting policies and the quality of financial report 2) review the internal control system 3) disclose of pertinent information with the Board of Directors' opinion presented in the annual financial report.

The company and its subsidiaries' financial statements were reviewed by the auditors from Grant Thornton LLP in the line with the generally accepted accounting standards. In the auditing process, the Board of Directors of the company lend support by supplying the information and other related documents to enable the auditors to thoroughly review information and express comments which appeared in the annual financial report. The Board of Directed agreed that the company's overall internal control management and control structure were overall regarded as satisfactory. This builds confidence with supporting rationales that the company and its subsidiaries' financial statements of the year 2018, ended on 31, December 2018 are reliable according to the generally accepted accounting standards.

Mr. KunchitSingsuwan
Chairman

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of 2S Metal Company Limited

Opinion

I have audited the consolidated financial statements of 2S Metal Public Company Limited and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statements of profit and loss and other comprehensive income, consolidated statements of changes in shareholders' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies. I have also audited the separate financial statements of 2S Metal Public Company Limited (the "Company"), which comprise the separate statement of financial position as at 31 December 2018, the separate statements of profit and loss and other comprehensive income, statements 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 consolidated and separate financial statements present fairly in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and cash flows for the year then ended, and present fairly the separate financial position as at 31 December 2018, and its separate financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Group in accordance with the Federation of Accounting Professions' Code of Ethics for Professional Accountants that is relevant to my audit of the consolidated and separate financial statements, and I have fulfilled my other ethical responsibilities in accordance with those requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

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

Key audit matter	How the matter was addressed in the audit
<p><u>Impairment of investment in subsidiaries and goodwill</u></p> <p>As at 31 December 2018, the separate financial statements include investments in subsidiaries amounting to Baht 216.77 million and the consolidated financial statements has goodwill of Baht 15.09 million which arose from a business combination in year 2015. In accordance with Thai Financial Reporting Standards, goodwill is required to be tested annually for impairment and investments in subsidiaries are required to be tested when there is an indicator of impairment.</p> <p>An impairment assessment requires significant judgement by management, specifically in determining the assumptions to develop the cash flows projections of the subsidiary and the selection of the of discount rate which may be affected by changes in the economic condition, market situation and specific risks.</p> <p>Refer to Notes 4.21, 11 and 17 which provide details of the impairment testing performed by management.</p>	<p>My audit procedures included:</p> <ul style="list-style-type: none"> - Obtaining an understanding of how management identifies impairment indicators and the testing process - Reviewing the supporting documents prepared by management to assess whether the goodwill is impaired at the end of year and assess the appropriateness of the valuation model and key assumptions used by management - Assessing the reasonableness of the discount rate applied to the estimated future cash flows - Testing the calculation of the recoverable amount - Review the sensitivity analysis provided by management and considered the impact to recoverable amount - Considering the adequacy and appropriateness of the disclosure of the assumptions, methodology and recoverable amount of goodwill and investment in subsidiary.

Key audit matter	How the matter was addressed in the audit
<p><u>Valuation of inventory</u></p> <p>As at 31 December 2018 the Group and the Company have ending inventories of Baht 632.01 million and Baht 553.68 million, respectively.</p> <p>Inventories are carried in the financial statements at the lower of cost and net realizable value. The Company's management has estimated the net realisable value from the estimated selling price after the deduction of direct costs.</p> <p>However, the underlying value of steel is highly volatile depending on the demand and supply in the global market. As such this involves managements judgment in determining the selling price and net realisable value.</p> <p>Refer to Notes 4.12, 4.21 and 9 which provides details of the valuation of inventory.</p>	<p>My audit procedures included:</p> <ul style="list-style-type: none"> - Obtaining an understanding of the process to determine the net realisable value of inventories through inquiry of the Company's management - Evaluating the design of the internal control process and testing the operating effectiveness of the controls - Performing substantive testing on a sample basis on the net realisable value of inventories - Reviewing the actual results for the year with the Company's historical estimation of allowance for declined value of inventories and future operating plan to evaluate the appropriateness of the Company's estimation relating to the valuation of inventories; and - Considering in the adequacy of the Company's disclosure 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 and request them to revise a material misstatement.

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

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

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

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

Auditors Responsibilities for the Audit of the Consolidated and Separate Financial Statements

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

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

- Identify and assess the risks of material misstatement of the 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 omission, misrepresentation, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of financial statements, including the disclosures, and whether the 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 financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

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

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

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the 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 preclude 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.

Mr. Somckid Tiatragul

Certified Public Accountant

Registration No. 2785

Grant Thornton Limited

Bangkok

27 February 2019

2S METAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION

(Unit : Thousand Baht)

		Consolidated F/S		Separate F/S	
	Notes	31 December 2018	31 December 2017	31 December 2018	31 December 2017
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	7	64,827	72,632	48,123	64,284
Trade and other accounts receivable - net	6, 8	353,921	316,444	437,327	371,526
Inventories - net	9	632,010	760,597	553,684	709,680
Deposits for purchase of goods	6	203,000	205,672	203,000	205,672
Short-term loans and interest receivable - subsidiary	6	-	-	21,344	20,236
Refundable value added tax		4,707	22,229	4,385	19,136
Refundable income tax		2,750	782	-	-
Other current assets		6,164	5,981	2,807	2,152
Total Current Assets		1,267,379	1,384,337	1,270,670	1,392,686
NON - CURRENT ASSETS					
Restricted deposits with banks	10	17,345	17,241	17,345	17,241
Investments in subsidiaries - net	11	-	-	216,770	206,267
Long-term loans receivable - subsidiary	6	-	-	11,751	17,983
Property, plant and equipment - net	12	546,006	501,007	265,004	224,387
Investment property - net	13	2,283	-	-	-
Prepaid land rental expense - net	6, 14	4,876	5,900	1,226	1,803
Leasehold rights - net	15	2,430	2,607	-	-
Intangible assets - net	16	1,110	1,786	1,027	1,684
Goodwill	17	15,086	15,086	-	-
Other non-current assets		941	1,341	938	437
Total Non - Current Assets		590,077	544,968	514,061	469,802
TOTAL ASSETS		1,857,456	1,929,305	1,784,731	1,862,488

กรรมการ

(นายสมบัติ สีสวัสดิ์ตระกูล)

กรรมการ

(นายแสงรุ่ง นิตีภาวะชน)

หมายเหตุประกอบงบการเงินเป็นส่วนหนึ่งของการงบการเงินนี้

2S METAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION

(Unit : Thousand Baht)

		Consolidated F/S		Separate F/S	
	Notes	31 December 2018	31 December 2017	31 December 2018	31 December 2017
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES					
Short - term loans from financial institutions	18, 32	451,770	498,166	451,770	498,166
Short - term loans and accrued interest payable					
- subsidiary	6, 32	-	-	8,503	11,503
Trade and other accounts payable	6, 19	19,936	27,877	24,831	33,264
Current portion of liabilities under					
- finance lease agreements	32	7	196	7	196
- employee benefits obligation	23	-	50	-	50
Accrued income tax		1,711	41,481	1,711	41,481
Value added tax payable		2,377	7,611	-	7,611
Accrued expenses	22	29,600	36,657	24,497	30,712
Other current liabilities		4,937	3,498	3,137	2,641
Total Current Liabilities		510,338	615,536	514,456	625,624
NON - CURRENT LIABILITIES					
Liabilities under finance lease agreements - net	32	-	7	-	7
Employee benefits obligation - net	6, 23	10,447	9,486	9,287	8,420
Deferred tax liabilities - net	25	22,485	23,971	9,225	9,398
Total Non - Current Liabilities		32,932	33,464	18,512	17,825
TOTAL LIABILITIES		543,270	649,000	532,968	643,449
SHAREHOLDERS' EQUITY					
Share capital - common share at Baht 1 par value	20				
- Registered 549,999,244 shares					
(2017 : 499,999,951 shares)		550,000	500,000	550,000	500,000
- Issued and paid - up 449,998,800 shares					
(2017 : 399,999,337 shares)		449,999	399,999	449,999	399,999
Premium on share capital		121,761	121,761	121,761	121,761
Retained earnings					
- Appropriated for legal reserve	26.1	45,000	40,000	45,000	40,000
- Unappropriated		669,619	690,573	590,621	612,897
Other components of equity		29,505	29,505	44,382	44,382
Shareholders' equity of the Company		1,315,884	1,281,838	1,251,763	1,219,039
Non-controlling interests		(1,698)	(1,533)	-	-
NET SHAREHOLDERS' EQUITY		1,314,186	1,280,305	1,251,763	1,219,039
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		1,857,456	1,929,305	1,784,731	1,862,488

กรรมการ

(นายสมบัติ สวัสดิ์ตระกูล)

หมายเหตุประกอบงบการเงินเป็นส่วนหนึ่งของการงบการเงินนี้

กรรมการ

(นายแสงรุ่ง นิตภาวะชน)

2S METAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER

		(Unit : Thousand Baht)			
		Consolidated F/S		Separate F/S	
	Notes	2018	2017	2018	2017
REVENUES					
Revenue from sales		5,346,792	4,479,401	5,360,216	4,487,763
Revenue from sales of by-product		102,718	44,319	96,339	40,231
Total revenues	6, 28	5,449,510	4,523,720	5,456,555	4,527,994
COSTS OF SALES					
Costs of sales	6, 9, 27	(5,092,018)	(3,964,783)	(5,127,146)	(3,989,773)
Gross profit		357,492	558,937	329,409	538,221
Interest income	6, 28	1,588	1,889	2,995	3,153
Gain on exchange rate		-	3,809	-	3,080
Reversal allowance for impairment of investment in subsidiary company	11	-	-	10,503	-
Other income	6	11,883	9,595	11,141	6,035
Profit before expenses		370,963	574,230	354,048	550,489
Selling expenses	6	(131,433)	(106,505)	(131,035)	(103,928)
Administrative expenses	6	(93,757)	(98,036)	(76,586)	(84,087)
Loss from exchange rate		(638)	-	(1,512)	-
Total expenses	27, 28	(225,828)	(204,541)	(209,133)	(188,015)
Profit before finance costs		145,135	369,689	144,915	362,474
Finance costs	6, 28	(15,825)	(16,640)	(16,394)	(16,802)
Profit before income tax		129,310	353,049	128,521	345,672
Income tax expense	24	(23,929)	(68,357)	(24,297)	(68,940)
Profit for the year		105,381	284,692	104,224	276,732
OTHER COMPREHENSIVE INCOME					
Other comprehensive income for the year - net tax		-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		105,381	284,692	104,224	276,732
ALLOCATION OF PROFIT FOR THE YEAR					
Portion of the Company's shareholders		105,547	284,707	104,224	276,732
Portion of non-controlling interests		(166)	(15)	-	-
		105,381	284,692	104,224	276,732
ALLOCATION OF TOTAL COMPREHENSIVE INCOME (LOSS)					
Portion of the Company's shareholders		105,547	284,707	104,224	276,732
Portion of non-controlling interests		(166)	(15)	-	-
		105,381	284,692	104,224	276,732
BASIC EARNINGS PER SHARE					
Income of the Company's shareholders (Baht : Share)	21	0.23	0.63	0.23	0.62
Weighted average number of common shares (Unit : Shares)		449,999	449,999	449,999	449,999

The accompanying notes form an integral part of these financial statements.

2S METAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER

(Unit : Thousand Baht)

		Shareholders' equity of the Company										
		Retained earnings				Other components of equity			Shareholders' equity of the Company	Non-controlling interests	Total	
		Paid - up Share Capital	Premium on Share capital	Legal Reserve	Unappropriated	Other comprehensive income Surplus on revaluation of land	Discount on dilution of investment in subsidiaries company	Total Other components of equity				
Notes												
Consolidated F/S												
Balance as at 1 January 2017		300,000	121,761	30,000	569,865	59,322	(28,012)	31,310	1,052,936	(3,323)	1,049,613	
Changes in shareholders' equity												
Appropriation for legal reserve during the year		-	-	10,000	(10,000)	-	-	-	-	-	-	
Stock dividend		20, 26.2	99,999	-	(99,999)	-	-	-	-	-	-	
Cash dividend		26.2	-	-	(54,000)	-	-	-	(54,000)	-	(54,000)	
Discount on dilution of investment in subsidiaries company		-	-	-	-	-	(1,805)	(1,805)	(1,805)	-	(1,805)	
Non - controlling interests decreased during the year		-	-	-	-	-	-	-	-	1,805	1,805	
Transaction with owners		99,999	-	10,000	(163,999)	-	(1,805)	(1,805)	(55,805)	1,805	(54,000)	
Comprehensive income (loss) for the year		-	-	-	284,707	-	-	-	284,707	(15)	284,692	
Total comprehensive income (loss) for the year		-	-	-	284,707	-	-	-	284,707	(15)	284,692	
Balance as at 31 December 2017		399,999	121,761	40,000	690,573	59,322	(29,817)	29,505	1,281,838	(1,533)	1,280,305	
Balance as at 1 January 2018		399,999	121,761	40,000	690,573	59,322	(29,817)	29,505	1,281,838	(1,533)	1,280,305	
Changes in shareholders' equity												
Appropriation for legal reserve during the year		-	-	5,000	(5,000)	-	-	-	-	-	-	
Stock dividend		20, 26.2	50,000	-	(50,000)	-	-	-	-	-	-	
Cash dividend		26.2	-	-	(71,500)	-	-	-	(71,500)	-	(71,500)	
Transaction with owners		50,000	-	5,000	(126,500)	-	-	-	(71,500)	-	(71,500)	
Comprehensive income (loss) for the year		-	-	-	105,547	-	-	-	105,547	(166)	105,381	
Total comprehensive income (loss) for the year		-	-	-	105,547	-	-	-	105,547	(166)	105,381	
Balance as at 31 December 2018		449,999	121,761	45,000	669,620	59,322	(29,817)	29,505	1,315,885	(1,699)	1,314,186	

The accompanying notes form an integral part of these financial statements.

2S METAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER

(Unit : Thousand Baht)

(Unit : Thousand Baht)							
				Retained earnings		Other components of equity	
	Notes	Paid - up Share Capital	Premium on Share capital	Legal Reserve	Unappropriated	Other comprehensive income Surplus on revaluation of land	Total
Separate F/S							
Balance as at 1 January 2017		300,000	121,761	30,000	500,164	44,382	996,307
Changes in shareholders' equity							
Appropriation for legal reserve during the year		-	-	10,000	(10,000)	-	-
Stock dividend	20, 26.2	99,999	-	-	(99,999)	-	-
Cash dividend	26.2	-	-	-	(54,000)	-	(54,000)
Transaction with owners		99,999	-	10,000	(163,999)	-	(54,000)
Comprehensive income for the year		-	-	-	276,732	-	276,732
Total comprehensive income (loss) for the year		-	-	-	276,732	-	276,732
Balance as at 31 December 2017		399,999	121,761	40,000	612,897	44,382	1,219,039
Balance as at 1 January 2018		399,999	121,761	40,000	612,897	44,382	1,219,039
Changes in shareholders' equity							
Appropriation for legal reserve during the year		-	-	5,000	(5,000)	-	-
Stock dividend	20, 26.2	50,000	-	-	(50,000)	-	-
Cash dividend	26.2	-	-	-	(71,500)	-	(71,500)
Transaction with owners		50,000	-	5,000	(126,500)	-	(71,500)
Comprehensive income for the year		-	-	-	104,224	-	104,224
Total comprehensive income (loss) for the year		-	-	-	104,224	-	104,224
Balance as at 31 December 2018		449,999	121,761	45,000	590,621	44,382	1,251,763

The accompanying notes form an integral part of these financial statements.

2S METAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER

	Consolidated F/S		(Unit : Thousand Baht) Separate F/S	
	2018	2017	2018	2017
Cash Flows From Operating Activities				
Profit before income tax	129,310	353,049	128,521	345,672
Adjustments to reconcile profit before income tax to net cash provided from (used in) operating activities:				
Provision (reversal of allowance) for doubtful debts	(184)	2,845	141	2,319
Loss on adjusted values of goods	12,522	545	12,522	545
Reversal of allowance for impairment of investment in subsidiary company	-	-	(10,503)	-
Depreciation	38,084	35,794	13,012	10,769
Gain on disposal and written off of fixed assets	(1,025)	(550)	(84)	-
Amortization of prepaid land rental expense	1,024	1,024	577	577
Amortization of leasehold rights cost	177	176	-	-
Amortization of investment property	337	-	-	-
Amortization of intangible assets	700	648	666	603
Interest income	(1,587)	(1,889)	(2,994)	(3,153)
Interest expense	15,825	16,640	16,394	16,802
Provision for post employee benefits obligation	961	976	867	886
Cash Flows Provided from Operations before Changes in Operating Assets and Liabilities	196,144	409,258	159,119	375,020
Decrease (increase) in operating assets:				
Trade accounts receivable	(37,322)	8,082	(65,942)	8,603
Other receivables	29	(42)	-	2
Inventories	116,065	(192,425)	143,474	(166,119)
Deposits for purchase of goods	2,672	15,566	2,672	15,566
Advance payment for importing material	-	10,208	-	10,208
Refundable value added tax	(1,968)	(17,981)	-	(16,997)
Value added tax refunded	17,522	2,817	14,751	2,817
Other current assets	(310)	1,020	(777)	1,297
Other non-current assets	400	(1,152)	(501)	(252)
Increase (decrease) in operating liabilities:				
Trade accounts payable	(7,989)	7,698	(8,552)	8,542
Other payables	48	(762)	119	(64)
Accrued expenses	(7,023)	2,204	(6,182)	1,873
Value added tax payable	(5,234)	7,611	(7,611)	7,611
Other current liabilities	1,347	(4,201)	435	(854)
Cash Received from Operating Activities	274,381	247,901	231,005	247,253
Interest payment	(15,859)	(16,757)	(16,427)	(16,915)
Income tax paid	(65,185)	(58,203)	(64,240)	(57,212)
Net Cash Provided from Operating Activities	193,337	172,941	150,338	173,126

The accompanying notes form an integral part of these financial statements.

2S METAL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER

	(Unit : Thousand Baht)			
	Consolidated F/S	Separate F/S		
	2018	2017	2018	2017
Cash Flows from Investing Activities				
Interest income	1,610	1,882	3,012	3,151
Acquisition of building and equipment	(85,921)	(55,717)	(53,694)	(44,904)
Sale of equipment	1,285	1,140	160	-
Addition to intangible assets	(24)	(592)	(9)	(592)
Collection of loans to subsidiaries	-	-	7,124	18,310
Loans to subsidiaries	-	-	(2,000)	(3,004)
Investment in subsidiaries	-	-	-	(17,770)
Net Cash Used in Investing Activities	(83,050)	(53,287)	(45,407)	(44,809)
Cash Flows from Financing Activities				
Decrease in short - term loans from financial institutions	(46,396)	(78,963)	(46,396)	(78,963)
Proceed from short - term loans from subsidiary	-	-	10,029	11,503
Repayment short - term loans from subsidiary	-	-	(13,029)	-
Paid for liabilities under finance lease agreement	(196)	(180)	(196)	(180)
Cash dividend payment	(71,500)	(54,000)	(71,500)	(54,000)
Net Cash Used in Financing Activities	(118,092)	(133,143)	(121,092)	(121,640)
Increase (Decrease) in cash and cash equivalents - net	(7,805)	(13,489)	(16,161)	6,677
Cash and cash equivalents at beginning of year	72,632	86,121	64,284	57,607
Cash and cash equivalents at end of year	64,827	72,632	48,123	64,284
Supplemental disclosure for cash flows information				
Non - cash item :				
Issuance of stock dividend	50,000	99,999	50,000	99,999

The accompanying notes form an integral part of these financial statements.

2S METAL PUBLIC COMPANY LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. NATURE OF OPERATIONS

The company

2S Metal Public Company Limited is principally engaged in the manufacturing of steel pipes, steel plates, light lip channel and steel wire mesh and trading of steel products. The Company has 3 subsidiaries that are engaged in its business supporting.

Its subsidiaries

- Neastern Steel Co., Ltd., registered in Thailand, is engaged in the manufacturing of steel pipes, steel plates, light lip channels and steel wire mesh.
- Mega Trans and Logis Co., Ltd., registered in Thailand, is engaged in providing transportation services.
- Grand Steel Pipe Industry Co., Ltd., registered in Laos, is engaged in the manufacturing of steel pipes, steel plates and light lip channel and trading of steel products.

2. GENERAL INFORMATION AND STATEMENT OF COMPLIANCE WITH TFRSs

2S Metal Public Company Limited is the ultimate parent company. It is a public limited company incorporated and domiciled in Thailand. The address of its registered office and principal place of business is 8/5 Moo 14, Tambon Thachang, Amphur Bangklam, Songkhla Province. The Company has three warehouses located in Nakhon Ratchasima, Bangkok and Suratthani Provinces.

The accompanying consolidated and separate financial statements have been prepared in accordance with the Accounting Act B.E. 2543, Thai Financial Reporting Standards ("TFRS") issued under the Accounting Professions Act B.E. 2547 and the financial reporting requirements promulgated by the Securities and Exchange Commission under the Securities and Exchange Act B.E. 2535. These consolidated and separate financial statements are officially prepared in the Thai language. The translation of these consolidated and separate financial statements to another language must be in compliance with the official report in Thai.

The consolidated and separate financial statements have been prepared on the historical cost basis except for the following items, which are measured on an alternative basis on each reporting date.

Items	Measurement bases
Land	Fair value
Net defined benefit liability	Present value of the defined benefit obligation, limited as explained in Note 23

3. CHANGES IN ACCOUNTING POLICIES

3.1 New and revised financial reporting standards, interpretations and guidance

3.1.1 Amendments and interpretations to existing Standards that are effective from 1 January 2018

The Federation of Accounting Professions has issued revised Thai Financial Reporting Standards (TFRS), interpretations and guidance, that are effective for annual accounting periods beginning on or after 1 January 2018. The changes are to align with the corresponding International Financial Reporting Standards where most of the changes are relating to the revision of wording and terminology, and the provision of interpretations and accounting guidance to users of the standards.

The adoption of these revised TFRS has not had a material impact on the consolidated and separate financial statements except for the addition disclosures required under TAS 7 (see Note 32).

3.1.2 New Standards that are effective from 1 January 2019

During the year, the Federation of Accounting Professions issued Thai Financial Reporting Standard No. 15 “Revenue from Contracts with Customers” (TFRS 15). TFRS 15 is effective for annual accounting periods beginning on or after 1 January 2019, that defines new requirements for the recognition of revenue, replacing Thai Accounting Standard No. 18 “Revenue”, Thai Accounting Standard No.11 “Construction Contracts”, and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas which are limited in detail under existing Thai Financial Reporting Standards.

The Group’s management has assessed that the impact on the financial statements is immaterial on revenue and others related accounts when the new standard is initial applied.

3.1.3 New Standards that are effective from 1 January 2020

During the year, the Federation of Accounting Professions issued Thai Financial issue several TFRSs for financial instruments, which consists of TFRS 9 “Financial instruments”, TAS 32: “Financial instruments: Presentation”, TFRS 7: “Financial instruments: Disclosure”, TFRIC 16: “Hedges of a Net Investment in a Foreign Operation” and TFRIC 19: “Extinguishing Financial Liabilities with Equity Instruments”, which are effective for annual accounting periods beginning on or after 1 January 2020. These new TFRS establish new requirements relating to the definition, recognition, classification, measurement, impairment of financial assets and liabilities, as well as providing guidance on hedge accounting.

The Group will adopt these new standards when they become effective, and management is in the process to assess the impact on the financial statements in the period of initial application.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Overall consideration

The consolidated and separate financial statements have been prepared using the significant accounting policies and measurement basis summarized below.

4.2 Basis of consolidation

The Company prepares the consolidated financial statements from those of the Company and all of its subsidiaries for which all subsidiaries have the same reporting date as the Company at 31 December.

All transactions and balances between Group companies are eliminated on consolidation, including unrealized gains and losses on transactions between Group companies. Where unrealized losses on intra-group asset sales are reversed in the consolidation, the underlying asset is also tested for impairment from the group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

The Group attributes total comprehensive income or loss of subsidiaries between the owners of the Company and the non-controlling interests based on their respective ownership interests.

4.3 Business combinations

Business combinations are accounted for using the acquisition method with the cost of the acquisition being the fair value at the acquisition date of consideration transferred, and the amount of any non-controlling interest in the seller. For each business combination, the Company measures the non-controlling interest, in the acquiree either at fair value or at the proportionate share of the seller's identifiable net assets.

Goodwill is measured as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

4.4 Foreign currency translation

Functional and presentation currency

The consolidated financial statements are presented in Thai Baht, which is also the functional currency of the Company.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such

transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognized in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Foreign operations

In the Group's financial statements, all asset, liabilities and transactions of Group entities with a functional currency other than Thai Baht are translated into Thai Baht upon consolidation.

4.5 Segment reporting

The Group has two operating segments: production and trading. In identifying these operating segments, management generally follows the Group's operations representing its main products (see Note 1, 28).

Each of these operating segments is managed separately as each requires different marketing approaches and other resources. All inter-segment transfers are carried out at arm's length prices based on prices charged to unrelated customers in standalone sales of identical goods.

For management purposes, the Group uses the same measurement policies as those used in its financial statements.

4.6 Related parties

Related parties comprise enterprises and individuals that control, or are controlled by the Group, whether directly or indirectly, or which are under common control with the Group. They also include associated companies and individuals which directly or indirectly own voting interest in the Group that gives them significant influence over the Group, key management personnel, directors and officers with authority in the planning and directing the Group's operations.

4.7 Revenue

Revenue is recognized on the basis of invoiced value (excluding value added tax) after deducting discounts and returns.

Sales of goods

Revenue on sale is recognized in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognized if there is continuing management involvement with the goods or if there are significant uncertainties regarding recovery of the consideration due, associated costs or the probable return of goods.

Rendering of services

Service income is recognized when services have been rendered.

Interest

Interest income is recognized on accrual basis.

4.8 Operating expenses

Operating expenses are recognized in profit or loss upon utilization of the service or as incurred.

4.9 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported as part of finance costs.

4.10 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and highly liquid cash in banks (which do not have a restriction of use) that are readily convertible to cash with insignificant risk of change in value.

4.11 Accounts receivable

Accounts receivable are stated at the net realizable value. The Group provides allowance for doubtful accounts equal to the estimated collection losses that may incur in the collection process. The estimated losses are based on historical collection experiences coupled with a review of the current status of receivables.

4.12 Inventories

Inventories are stated at the lower of cost (by using the moving average method) or net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

4.13 Investments in subsidiaries

Investments in subsidiaries in the separate statement of financial position are accounted for by the cost method. The Company recognizes gain or loss on sale of investment in the statement of profit or loss in the year the investment is sold. In the case of impairment, the Company will recognize the loss from impairment as an expense in the statement of profit or loss. The Company recognizes dividend income upon the subsidiary's declaration of the payment.

4.14 Property, plant and equipment

Land

Land held for use in production is stated at revalued amounts. Revalued amounts are fair values based on appraisals prepared by external professional appraisers once every five years or more frequently if market factors indicate a material change in fair value (see Note 12). Any revaluation surplus is recognized in other comprehensive income and credited to

the revaluation reserve in equity. To the extent that any revaluation decreases or impairment loss (if any) has previously been recognized in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase recognized in other comprehensive income. Downward revaluations of land are recognized upon appraisal or impairment testing, with the decrease being charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and any remaining decrement recognized in profit or loss. Any revaluation surplus remaining in equity on disposal of the asset is transferred to retained earnings.

Buildings and other equipment

Buildings and other equipment are initially booked at acquisition cost or construction cost, including any costs directly attributable to bringing assets to the location and condition necessary for operation in the manner intended by the Group's management. Buildings and other equipment are subsequently measured at cost less accumulated depreciation and impairment losses (if any).

Depreciation is recognized on a straight-line basis to write down the cost over the following estimated useful lives.

Land improvement	5 - 20 years
Buildings and construction	15 - 50 years
Machinery and factory tools	5 - 20 years
Furniture and office equipment	5 - 10 years
Vehicles	5 - 15 years

Asset residual value estimates and estimated useful lives are updated as required, but at least annually.

Gains or losses arising from disposal of property, plant and equipment are determined based on the difference between the disposal proceeds and the carrying amount of the assets and are recognized in profit or loss within other income or other expenses.

4.15 Investment property

Investment property is measured initially at its cost including related transaction costs and valued at cost less accumulated depreciation and allowance for impairment (if any). The depreciation for building is computed by straight - line method at the useful lives of 15 years.

4.16 Prepaid land rental expenses

Prepaid land rental expense consists of capital expenditure for construction of assets to obtain the leasehold right on the lease land, bearing the condition for the lessee to transfer the ownership of the construction to the lessor at the end of contracts and held as prepaid lease payments of the compensation for beneficial usage of such land. It will be amortized as cost of rental on the straight-line basis over the beneficial year based on the lease period.

4.17 Leasehold rights

Leasehold rights in land arose on the acquisition of a subsidiary and is amortized on a straight-line method over the life of the leasehold rights which is between 15 and 30 years.

4.18 Intangible assets

Computer software is presented at cost less accumulated amortization. Amortization is calculated by reference to cost on a straight-line basis over the estimated time frame of 5 - 10 years.

4.19 Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognized. Goodwill is carried at cost less accumulated impairment losses (if any). Refer to Note 17 for a description of impairment testing procedures.

4.20 Lease assets

Finance leases

Management applies judgment in considering the substance of a lease agreement and whether it transfers substantially all the risks and rewards incidental to ownership of the leased asset. Key factors considered include the length of the lease term in relation to the economic life of the asset, the present value of the minimum lease payments in relation to the asset's fair value, and whether the Group obtains ownership of the asset at the end of the lease term.

For leases of land and buildings, the minimum lease payments are first allocated to each component based on the relative fair values of the respective lease interests. Each component is then evaluated separately for possible treatment as a finance lease, taking into consideration the fact that land normally has an indefinite economic life.

See Note 4.14 for the depreciation methods and useful lives for assets held under finance leases.

Operating leases

Where the Company is the lessee

All other leases are treated as operating leases. Where the Group is a lessee, payments on operating lease agreements are recognized as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

Where the Company is the lessor

Assets leased out under operating leases are included in property, plant and equipment in the statement of financial position. They are depreciation over their expected useful lives on a basis consistent with similar assets. Rental income is recognized in the statement of profit or loss on a straight – line basis over the lease period.

4.21 Impairment testing of assets

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset recoverable amounts are estimated.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognized in profit or loss.

Calculation of recoverable amount

The recoverable amount of a non-financial asset is the greater of the asset value in use and fair value less costs to sell. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses recognized in prior periods in respect of other non-financial assets are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

4.22 Trade and other accounts payable

Trade and other accounts payable are stated at cost.

4.23 Equity

Share capital represents the nominal (par) value of shares that have been issued.

Share premium includes any premiums received on the issuance of share capital. Any transaction costs associated with the issuance of shares are deducted from share premium, net of any related income tax benefits.

Other components of equity include the following:

Other comprehensive income

- revaluation of land reserve – comprises gains and losses from the revaluation of land (see Note 4.14)

Retained earnings includes all current and prior period retained profits.

All transactions with owners of the Company are recorded separately as part of equity.

Dividend distributions payable to equity shareholders are included in other liabilities when general meeting or the Company's Board of Directors meeting approved prior to the reporting date.

4.24 Post-employment benefits and short-term employee benefits

Post-employment benefit plans

The Group provides post-employment benefits through various defined contribution and retirement benefit plans.

Defined contribution plans

The Group has set up a registered provident fund that is contributed to by employees and by the Group for which assets are held in a separate trustee fund and managed by an authorised fund manager. The Group has no legal or constructive obligations to pay contributions in addition to its fixed contributions, which are recognized as an expense in the period that related employee services are received.

Retirement benefit plans

The Group has a legal obligation to pay retirement benefits by reference to the employee's length of service and the latest payment of salary. The liability recognized in the statement of financial position for retirement benefit plans is the present value of the retirement benefit obligation at the reporting date.

Management estimates the retirement benefits annually by reference to the calculation of the independent actuary. This is based on salary growth rate, turnover and mortality. Discount factors are determined close to each year-end by reference to Thai government bonds with terms to maturity approximating the terms of the related pension liability.

Gains and losses resulting from remeasurements of the net retirement benefit liability under the new regulation are included in other comprehensive income and directly transferred to the retained earnings.

Short-term employee benefits

Short-term employee benefits, including salaries, wages, bonuses and contribution to the social security as expenses when incurred.

4.25 Income tax

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current income tax is the expected tax payable or claimable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the end of the reporting period, and any adjustment to tax payable in respect of earlier years.

Deferred tax assets are recognized to the extent that it is probable that the underlying tax loss or deductible temporary differences will be utilized against future taxable income. This is assessed based on the Group's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit.

Deferred tax liabilities are generally recognized in full, except for the exemption under TAS 12: 'Income Taxes'. As a result of these exemptions, the Group does not recognize deferred tax on temporary differences relating to goodwill, or to its investments in subsidiaries.

4.26 Basic earnings per share

Basic earnings per share are computed by dividing the income for the year by the weighted average number of common shares outstanding during the year.

4.27 Provisions, contingent assets and contingent liabilities

Provisions for product warranties, legal disputes, onerous contracts or other claims are recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Group is virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provision.

No liability is recognized if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

4.28 Significant management judgement in applying accounting policies and uncertainty of the estimates

When preparing the financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses. Actual results may be substantially different.

Accounts receivable

The Group provides allowances for doubtful accounts to reflect impairment of trade accounts receivable to estimated losses resulting from non collection of customer accounts. The allowances are based on consideration of historical collection experiences coupled with a review of outstanding receivables at the end of year. Actual results may be substantially different.

Inventories

Management estimates the net realizable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realization of these inventories may be affected by global market changes that may reduce future selling prices.

Building and equipment, investment property and computer software

Management determines the estimated useful lives and residual values of the Company's building and equipment, investment property and computer software and will revise the depreciation and amortization charges where useful lives and residual values previously estimated have changed or are subject to be written down or if they are no longer in use.

Impairment of investments in subsidiaries and goodwill

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating units based on expected future cash flows and uses an interest rate to discount them. Uncertainty in the estimation relates to assumptions about future operating results and the determination of a suitable discount rate (see Notes 11 and 17).

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognized is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilized. In addition, significant judgement is

required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions (see Note 4.25).

Defined employee benefit obligation

Management's estimate of the defined employee benefit obligation based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the defined employee benefit obligation amount and the annual defined benefit expenses (see Note 23).

Fair value measurement

Management uses valuation techniques to determine the fair value of land. This involves developing estimates and assumptions consistent with how market participants would price the assets. Management determines the assumptions based on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved on an arm's length transaction at the end of year.

5. INTERESTS IN SUBSIDIARIES

5.1 Composition of the group

Set out below are the details of the subsidiaries held directly by the Company:

Subsidiary companies	Country of incorporation and business	Proportion of ownership interest held by the Group at year ended (percentage)		Principal activity
		2018	2017	
Neastern Steel Co., Ltd.	Thai	99.99	99.99	Manufacturing and sale of steel pipes, steel plates, light lip channels and steel wire mesh
Mega Trans and Logis Co., Ltd.	Thai	99.99	99.99	Transportation services for goods
Grand Steel Pipe Industry Co., Ltd.	Laos	97.11	97.11	Manufacturing and sale of steel pipe, steel plates and light lip channel and trading of steel products.

Subsidiary

A subsidiary is an entity controlled by the Company. The Company controls an entity when it has exposure to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entities. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

5.2 Subsidiary with material non-controlling interests

(Unit: Thousand Baht)

Name	Proportion of ownership interests and voting rights held by the NCI		Total comprehensive loss allocated to NCI		Accumulated NCI	
	2018	2017	2018	2017	2018	2017
Grand Steel Pipe Industry Co., Ltd.	2.89%	2.89%	(165)	(15)	(1,698)	(1,533)

During the year 2017, the Company increased its investment in Grand Steel Pipe Industry Co., Ltd which is subsidiary company (See note 11). Therefore, the company has change in proportion of non – controlling interest.

6. RELATED PARTY TRANSACTIONS

The Group has transactions with related parties that are related through common shareholding and/or directorship. Thus, the consolidated and separate financial statements reflect the effects of those transactions on the basis agreed upon between the Group and its related parties, which might be different from the basis used for transactions with unrelated parties.

Nature of relationship

Name of entities	Country of incorporation/ nationality	Nature of relationship
<i>Related parties</i>		
Nana Watsadu Furniture Co., Ltd.	Thailand	Co-shareholders
Panichsawad Co., Ltd.	Thailand	Co-related party
United Steel Pipe Co., Ltd.	Thailand	Co-shareholders
City Metal Co., Ltd.	Thailand	Co-shareholders
Kwangfha Lohakit	Thailand	Co-shareholders
<i>Key management</i>	Thailand	Directors and managements
<i>Related person</i>	Laos	Person who is a close member of the family of a director and management of a subsidiary

Pricing policies

Transactions	Pricing policies
Revenue from sales, purchase of goods, manufacturing costs, and transportation service	Agree-upon basis based on market price
Rental of assets and other service income and expenses	Mutually agreed
Interest income and expenses	As specified in agreement
Manufacturing cost	Cost plus margin 22% - 23%

Significant balances with related parties as at 31 December 2018 and 2017 are as follows:

	Consolidated F/S		(Unit: Thousand Baht) Separate F/S	
	2018	2017	2018	2017
Trade and other accounts receivable				
Subsidiary companies	-	-	94,534	59,753
Related company	43,293	89	43,293	89
Total	43,293	89	137,827	59,842
Other receivable				
Subsidiary company's shareholder	-	905	-	905

	(Unit: Thousand Baht)			
	Consolidated F/S	Separate F/S	2018	2017
	2018	2017	2018	2017
Deposits for goods				
Related company	-	6,206	-	6,206
Short – term loans and interest receivable				
Subsidiary company	-	-	21,344	20,236
Long – term loans receivable				
Subsidiary company	-	-	11,751	17,983
Total loans and interest receivable	-	-	33,095	38,219
Prepaid land rental expense				
Related person	2,730	2,832	-	-

Significant movements in loans to subsidiaries and accrued interest income for the year ended 31 December 2018 are as follows :

	(Unit: Thousand Baht)			
	1 January	During the year		31 December
	2018	Increase	Decrease	2018
Subsidiary companies	38,219	2,000	(7,124)	33,095

Loan to subsidiaries in Thailand have been granted without collateral and bear interest at rate of 2.50 – 3.75 percent per annum and are repayable on demand.

Loans to the subsidiary in Laos are collateralized by leasehold rights in land at Nakorn Vientiane and bears interest at 12 percent, which is the market rate in Laos, and are repayable on demand.

During the year 2017, the Company converted its loan to subsidiary company to common shares in the subsidiary company. This increased the Company's investment in subsidiary (See note 11)

	(Unit: Thousand Baht)			
	Consolidated F/S	Separate F/S	2018	2017
	2018	2017	2018	2017
Short – term loans and accrued interest payable				
Subsidiary company	-	-	8,503	11,503
Trade and other accounts payable				
Subsidiary companies	-	-	7,966	8,604
Related parties	7,094	6,913	7,094	6,913
Total	7,094	6,913	15,060	15,517

(Unit: Thousand Baht)

	Consolidated F/S		Separate F/S	
	2018	2017	2018	2017
Employee benefits obligation				
Key management personnel				
- Post-employment benefits	6,578	6,141	5,798	5,408

Significant movements in loan and accrued interest payable to subsidiary for the period ended 31 December 2018 are as follows:

(Unit: Thousand Baht)

	1 January 2018	During the period		31 December 2018
		Increase	Decrease	
Subsidiary company	11,503	10,029	(13,029)	8,503

Loans from subsidiary in Thailand have been obtained without collateral and bears interest at rate of 3.60 - 3.75 percent per annum, which approximate market rates in Thailand, and are repayable on demand.

Significant transactions with the related parties for the years ended 31 December 2018 and 2017 are as follows:

(Unit: Thousand Baht)

	Consolidated F/S		Separate F/S	
	For the years ended 31 December			
Transaction	2018	2017	2018	2017
Revenue from sales				
<u>Related parties</u>	419,244	124,090	419,244	124,090
<u>Subsidiary company</u>	-	-	261,466	192,621
	<u>419,244</u>	<u>124,090</u>	<u>680,690</u>	<u>316,711</u>
Rental assets and other service income				
<u>Subsidiary company</u>	-	-	324	252
Interest income				
<u>Subsidiary company</u>	-	-	1,472	1,308
Purchase of goods and service				
<u>Related parties</u>	<u>717,490</u>	<u>999,890</u>	<u>717,490</u>	<u>999,890</u>
Manufacturing cost				
<u>Subsidiary company</u>	-	-	82,734	80,247
Transportation service				
<u>Subsidiary company</u>	-	-	64,441	48,640
Rental assets and other service expenses				
<u>Related parties</u>	1,200	1,200	1,200	1,200
<u>Related person</u>	102	102	-	-
<u>Subsidiary company</u>	-	-	5,348	5,565
	<u>1,302</u>	<u>1,302</u>	<u>6,548</u>	<u>6,765</u>
Interest expense				
<u>Subsidiary company</u>	-	-	569	162

	(Unit: Thousand Baht)			
	Consolidated F/S		Separate F/S	
	For the years ended 31 December			
Transaction	2018	2017	2018	2017
Key management personnel compensation				
Short-term employee benefits	29,178	34,362	21,905	26,717
Post-employment benefits	582	552	521	493
Total	29,760	34,914	22,426	27,210

As at 31 December 2018 and 2017, a subsidiary company jointly guaranteed the Company's credit facilities granted by a financial institution totaling Baht 37.98 million by mortgaging land amounting to Baht 6 million as a secondary guarantee.

7. CASH AND CASH EQUIVALENTS

	(Unit: Thousand Baht)			
	Consolidated F/S		Separate F/S	
	2018	2017	2018	2017
Cash on hand	79	102	24	35
Cash at banks				
- Current account	27,876	45,438	18,923	42,914
- Saving account	36,872	27,092	29,176	21,335
Total	<u>64,827</u>	<u>72,632</u>	<u>48,123</u>	<u>64,284</u>

8. TRADE AND OTHER ACCOUNTS RECEIVABLE – NET

	(Unit: Thousand Baht)			
	Consolidated F/S		Separate F/S	
	2018	2017	2018	2017
Trade accounts receivable – general customers	310,583	316,281	299,500	311,684
Trade accounts receivable – related companies	43,293	89	137,827	59,842
Total	<u>353,876</u>	<u>316,370</u>	<u>437,327</u>	<u>371,526</u>
Other accounts receivable – general customers	45	74	-	-
Total	<u>45</u>	<u>74</u>	<u>-</u>	<u>-</u>
Total trade and other accounts receivable - net	<u>353,921</u>	<u>316,444</u>	<u>437,327</u>	<u>371,526</u>

Aging analysis of the trade accounts receivable - general customers and related companies as at 31 December 2018 and 2017 are as follows:

	(Unit : Thousand Baht)			
	Consolidated F/S		Separate F/S	
	2018	2017	2018	2017
<u>Trade accounts receivable - general customers and related companies</u>				
Not yet due	298,691	254,778	378,462	312,448
Past due				
Less than 3 months	54,598	59,638	58,278	57,753
3 - 6 months	228	1,937	228	1,351
6 - 12 months	500	1,899	500	1,519
Over 12 months	9,979	8,422	8,763	7,218
Total	363,996	326,674	446,231	380,289
<u>Less</u> Allowance for doubtful accounts	(10,120)	(10,304)	(8,904)	(8,763)
Trade accounts receivable - general customers and related companies - net	<u>353,876</u>	<u>316,370</u>	<u>437,327</u>	<u>371,526</u>

During the year, the movements in the allowance for doubtful accounts are as follows:

	(Unit : Thousand Baht)			
	Consolidated F/S		Separate F/S	
	2018	2017	2018	2017
Balance as at 1 January	(10,304)	(7,459)	(8,763)	(6,444)
<u>Add</u> Allowance for doubtful accounts during the year	(2,014)	(5,817)	(2,014)	(5,265)
<u>Less</u> Reversal of allowance for doubtful accounts	2,198	2,972	1,873	2,946
Balance as at 31 December	<u>(10,120)</u>	<u>(10,304)</u>	<u>(8,904)</u>	<u>(8,763)</u>

9. INVENTORIES – NET

	(Unit : Thousand Baht)			
	Consolidated F/S		Separate F/S	
	2018	2017	2018	2017
Raw materials	242,672	300,720	218,057	281,723
Work in process	66,688	74,591	56,070	70,148
Finished goods	330,564	377,331	290,511	352,982
Material and goods in transit	1,062	4,096	1,062	4,096
Factory supplies	4,322	4,635	1,282	1,507
Total	645,308	761,373	566,982	710,456
<u>Less</u> Allowance for devaluation in inventories	(13,298)	(776)	(13,298)	(776)
Net	<u>632,010</u>	<u>760,597</u>	<u>553,684</u>	<u>709,680</u>

During the year, the movements in allowance for cost of goods anticipated to be higher than net realizable value are as follows :

	(Unit : Thousand Baht)	
	Consolidated and Separate F/S	
	2018	2017
Balance as at 1 January	(776)	(231)
<u>Add</u> Additional allowance during the year	(24,383)	(9,207)
<u>Less</u> Reversal of allowance during the year	11,861	8,662
Balance as at 31 December	<u>(13,298)</u>	<u>(776)</u>

Items included in the costs of goods sold are as follows:

	(Unit : Thousand Baht)			
	Consolidated F/S		Separate F/S	
	2018	2017	2018	2017
Costs of products sold	5,079,496	3,964,238	5,114,624	3,989,228
<u>Add</u> Allowance for cost of goods anticipated to be higher than net realizable value	24,383	9,207	24,383	9,207
<u>Less</u> Reverse of allowance for cost of goods anticipated to be higher than net realizable value	(11,861)	(8,662)	(11,861)	(8,662)
Total costs of sales	<u>5,092,018</u>	<u>3,964,783</u>	<u>5,127,146</u>	<u>3,989,773</u>

10. RESTRICTED DEPOSITS WITH BANKS

As at 31 December 2018 and 2017, the Company has fixed deposits with term of maturity of 12 months which bear interest at 0.65 – 1.05 percent per annum, that have been pledged as collateral for the use of electricity and loans from financial institutions as mentioned in Note 18.

11. INVESTMENTS IN SUBSIDIARIES - NET

	(Unit : Thousand Baht)							
	Paid-up capital		Percentage of shareholding		Separate F/S			
					2018		2017	
	2018	2017	2018	2017	Investments		Investments	
					At cost	Dividend income	At cost	Dividend income
Neastern Steel Co., Ltd.	90,000	90,000	99.99	99.99	99,000	-	99,000	-
Mega Trans and Logis Co., Ltd.	30,000	30,000	99.99	99.99	30,000	-	30,000	-
Grand Steel Pipe Industry Co., Ltd.	121,970	121,970	97.11	97.11	87,770	-	87,770	-
Total					216,770	-	216,770	-
<u>Less</u> Loss from impairment					(10,503)	-	(10,503)	-
<u>Add</u> Reversal allowance for impairment of investment in subsidiary company					10,503	-	-	-
Net					<u>216,770</u>	-	<u>206,267</u>	-

During the year ended 31 December 2017, the Company converted its loan to Grand Steel Pipe Industry Co., Ltd. (subsidiary company) of Baht 69 million, excluding interest receivable, to the incremental share capital and paid additional cash of Baht 17 million for the increased share capital of subsidiary. This changed the proportion of investment as follows:

(Unit : Thousand Baht)

Separate F/S

Investment in Grand Steel Pipe Industry Co., Ltd.

Balance as at 1 January 2017

1,000

Increased during the year

86,770

Balance as at 31 December 2017

87,770

During the year ended 31 December 2018, the Company's management reversed an allowance for impairment of investment in a subsidiary of Baht 10 million since the assessment of its financial position and operations indicates that the impairment no longer exist.

12. PROPERTY, PLANT AND EQUIPMENT – NET

(Unit : Thousand Baht)

Consolidation F/S							
	Land and improvement	Buildings and construction	Machinery and factory tools	Furniture and office equipment	Vehicles	Assets in transit and in progress	Total
Cost							
1 January 2018	177,872	256,872	437,157	23,283	105,371	4,735	1,005,290
Acquisitions	1,874	1,176	4,948	647	5,397	71,879	85,921
Disposals	-	-	(3,834)	(126)	(2,014)	-	(5,974)
Transfer in / (out)	-	(3,638)	27,337	64	131	(28,954)	(5,060)
31 December 2018	179,746	254,410	465,608	23,868	108,885	47,660	1,080,177
Accumulated depreciation							
1 January 2018	(10,691)	(123,556)	(304,040)	(20,260)	(45,736)	-	(504,283)
Depreciation for the year	(1,318)	(8,974)	(19,835)	(1,131)	(6,825)	-	(38,084)
Depreciation for disposals	-	-	3,731	74	1,951	-	5,756
Transfer (in) / out	-	2,440	-	-	-	-	2,440
31 December 2018	(12,009)	(130,090)	(320,144)	(21,318)	(50,610)	-	(534,171)
Net book value							
31 December 2018	167,737	124,320	145,464	2,550	58,275	47,660	546,006
Depreciation for the year 2018							
Cost of goods sold							23,530
Administrative expenses							14,554
Total							38,084

(Unit : Thousand Baht)

Consolidation F/S							
	Land and improvement	Buildings and construction	Machinery and factory tools	Furniture and office equipment	Vehicles	Assets in transit and in progress	Total
Cost							
1 January 2017	174,162	222,595	393,213	22,149	103,427	35,835	951,381
Acquisitions	-	5,225	4,398	1,065	3,287	41,742	55,717
Disposals	-	-	(327)	-	(1,481)	-	(1,808)
Transfer in / (out)	3,710	29,052	39,873	69	138	(72,842)	-
31 December 2017	177,872	256,872	437,157	23,283	105,371	4,735	1,005,290
Accumulated depreciation							
1 January 2017	(9,650)	(115,110)	(286,013)	(18,891)	(40,043)	-	(469,707)
Depreciation for the year	(1,041)	(8,446)	(18,354)	(1,369)	(6,584)	-	(35,794)
Depreciation for disposals	-	-	327	-	891	-	1,218
31 December 2017	(10,691)	(123,556)	(304,040)	(20,260)	(45,736)	-	(504,283)
Net book value							
31 December 2017	167,181	133,316	133,117	3,023	59,635	4,735	501,007
Depreciation for the year 2017							
Cost of goods sold							21,417
Administrative expenses							14,377
Total							35,794

(Unit : Thousand Baht)

	Separate F/S					
	Land and improvement	Buildings and construction	Machinery and factory Tools	Furniture and office equipment	Vehicles	Assets in transit and in progress
						Total
Cost						
1 January 2018	110,300	102,950	192,281	12,125	9,151	4,430
Acquisitions	1,874	1,177	2,818	441	-	47,384
Disposals	-	-	(20)	(126)	(699)	-
Transfer in / (out)	-	140	25,437	-	-	(25,577)
31 December 2018	112,174	104,267	220,516	12,440	8,452	26,237
Accumulated depreciation						
1 January 2018	(3,199)	(42,036)	(143,397)	(10,557)	(7,661)	-
Depreciation for the year	(511)	(3,857)	(7,283)	(707)	(654)	-
Depreciation for disposals	-	-	7	74	699	-
31 December 2018	(3,710)	(45,893)	(150,673)	(11,190)	(7,616)	-
Net book value						
31 December 2018	108,464	58,374	69,843	1,250	836	26,237
Depreciation for the year 2018						
Cost of goods sold						8,177
Administrative expenses						4,835
Total						13,012

(Unit : Thousand Baht)

	Separate F/S					
	Land and improvement	Buildings and construction	Machinery and factory Tools	Furniture and office equipment	Vehicles	Assets in transit and in progress
						Total
Cost						
1 January 2017	108,600	68,955	167,046	11,393	9,111	21,228
Acquisitions	-	5,224	1,353	663	40	37,624
Transfer in / (out)	1,700	28,771	23,882	69	-	(54,422)
31 December 2017	110,300	102,950	192,281	12,125	9,151	4,430
Accumulated depreciation						
1 January 2017	(2,939)	(38,996)	(137,373)	(9,843)	(6,930)	-
Depreciation for the year	(260)	(3,040)	(6,024)	(714)	(731)	-
31 December 2017	(3,199)	(42,036)	(143,397)	(10,557)	(7,661)	-
Net book value						
31 December 2017	107,101	60,914	48,884	1,568	1,490	4,430
Depreciation for the year 2017						
Cost of goods sold						6,218
Administrative expenses						4,551
Total						10,769

As at 31 December 2018 and 2017, the Company's and subsidiary's land and construction thereon, and machinery used for manufacturing with book values of Baht 115.22 million and Baht 116.50 million, respectively, in the consolidated financial statements, and Baht 103.49 million and Baht 104.10 million, respectively, in the separate financial statements have been mortgaged as collaterals for bank overdrafts, loans and other credit facilities with financial institutions as mentioned in Notes 18 and 30.4.

As at 31 December 2018 and 2017, the cost of fully depreciated assets that are still in use are Baht 320.07 million and Baht 284.41 million, respectively, in the consolidated financial statements and of Baht 159.67 million and Baht 142.77 million, respectively, in the separate financial statements.

13. INVESTMENT PROPERTY – NET

	(Unit : Thousand Baht)
	Consolidation F/S
Cost	
At 1 January 2017 – 31 December 2017	-
Transfer in	5,060
At 31 December 2018	5,060
Accumulated depreciation	
At 1 January 2017 – 31 December 2017	-
Transfer in	2,440
Depreciation for the year	337
At 31 December 2018	2,777
Net book value	
At 31 December 2017	-
At 31 December 2018	2,283

14. PREPAID LAND RENTAL EXPENSE – NET

During the year ended 31 December 2018 and 2017, the Company has the following movements in prepaid land rental expense:

	(Unit : Thousand Baht)					
	Consolidated F/S			Separate F/S		
	Building	Land improvement	Total	Building	Land improvement	Total
Cost						
1 January 2017	8,656	5,450	14,106	8,656	67	8,723
Incremental paid	-	-	-	-	-	-
31 December 2017	8,656	5,450	14,106	8,656	67	8,723
Incremental paid	-	-	-	-	-	-
31 December 2018	8,656	5,450	14,106	8,656	67	8,723
Accumulated depreciation						
1 January 2017	(6,276)	(906)	(7,182)	(6,276)	(67)	(6,343)
Depreciation for the year	(577)	(447)	(1,024)	(577)	-	(577)
31 December 2017	(6,853)	(1,353)	(8,206)	(6,853)	(67)	(6,920)
Depreciation for the year	(577)	(447)	(1,024)	(577)	-	(577)
31 December 2018	(7,430)	(1,800)	(9,230)	(7,430)	(67)	(7,497)
Net book value						
31 December 2017	1,803	4,097	5,900	1,803	-	1,803
31 December 2018	1,226	3,650	4,876	1,226	-	1,226
Depreciation for the year 2017						
Administrative expenses			1,024			577
Depreciation for the year 2018						
Administrative expenses			1,024			577

As at 31 December 2018 and 2017, the prepaid land rental expense amounting to Baht 1.23 million and Baht 1.80 million, respectively, represents the construction cost of two warehouses on the land leased under two lease agreements from an outsider for 15 years. The ownership of the said warehouses will automatically transfer to the lessor as mentioned in Note 30.1. The Company has amortized the prepaid land rental expense based on the straight-line method in accordance with the lease agreement.

As at 31 December 2018 and 2017, the prepaid land rental expenses of a subsidiary in Laos amounted to Baht 3.65 million and Baht 4.10 million, respectively, represents the right to use land under two lease agreements from a related person for 15 - 30 years as mentioned in Note 30.2. The subsidiary has amortized the prepaid land rental expense based on the straight-line method in accordance with the lease agreement.

15. LEASEHOLD RIGHT – NET

The movements of leasehold right for the years ended 31 December 2018 and 2017 are as follow:

	(Unit : Thousand Baht)
	Consolidated F/S
Cost	
At 1 January 2017	3,039
Addition	-
At 31 December 2017	3,039
Addition	-
At 31 December 2018	3,039
Accumulated amortization	
At 1 January 2017	(256)
Amortization for the year	(176)
At 31 December 2017	(432)
Amortization for the year	(177)
At 31 December 2018	(609)
Net book value	
At 31 December 2017	2,607
At 31 December 2018	2,430

16. INTANGIBLE ASSETS – NET

The movements of computer software for the years ended 31 December 2018 and 2017 are as follow:

	(Unit :Thousand Baht)	
	Consolidated F/S	Separate F/S
Cost		
At 1 January 2017	5,964	5,271
Addition	592	592
At 31 December 2017	6,556	5,863
Addition	24	9
At 31 December 2018	6,580	5,872
Accumulated amortization		
At 1 January 2017	(4,122)	(3,576)
Amortization for the year	(648)	(603)
At 31 December 2017	(4,770)	(4,179)
Amortization for the year	(700)	(666)
At 31 December 2018	(5,470)	(4,845)
Net book value		
At 31 December 2017	1,786	1,684
At 31 December 2018	1,110	1,027

17. GOODWILL

Goodwill of Baht 15 million as at 31 December 2018 and 2017 arose from the business acquisition of Grand Steel Pipe Industry Co., Ltd. in 2015.

Impairment testing

During the year 2018, for the purpose of the annual impairment testing, management assessed the recoverable amount by using value in use calculation. The calculation is based on a 5 years cash flow projection based on a financial and business plan.

Key assumptions used in the recoverable amount assessment include :

	Consolidated F/S
Growth rate (%)	1%
Discount rate (%)	15%

The basis of the key assumptions are as follows :

Cash flow assumptions

Due to the volatility of steel prices, management have assumed sales volume to calculated revenue from sales by used the average selling prices and fix the profit margin to be similar with the historical experience of the parent company. Management believes that this is the best available input for this projection.

Growth rate

Weighted average growth rate is based on the country economic growth. Weighted average growth rate is used to extrapolate cash flows after cash flow projection of 5 years period.

Discount rate

Discount rate is expected to reflect the current market assessments of the time value of money and specific risks to assets.

The results of the valuation indicated that the recoverable amount was Baht 103.16 million. No provision for impairment loss was determined necessary during the year 2018.

For the purpose of calculate the recoverable amount of Grand Steel Pipe Industry Co., Ltd., management is not currently aware of any other probable changes that would necessitate changes in its key estimates in year 2018. However, the estimated recoverable amount is particularly sensitive to the discount rate. If the discount rate used for calculation increased/decreased by 1%, the value – in -use will decrease/increase by Baht 7.25 million and Baht 8.38 million, respectively. However, there would still be no impact on the carrying value of goodwill as at 31 December 2018.

18. SHORT – TERM LOANS FROM FINANCIAL INSTITUTIONS

	(Unit : Thousand Baht)	
	Consolidated and Separate F/S	
	2018	2017
Promissory notes	100,000	325,000
Liabilities under trust receipt agreements	351,770	173,166
Total	451,770	498,166

The Company has short - term loans from financial institutions which bear interest at MIT, MLR – 3% to MRR per annum.

These are collateralized by the pledge of the fixed deposits, the mortgage of land and construction thereon and machinery as mentioned in Note 12, the transfer of the right to receive insurance claims, and cross guarantees among all related companies totaling Baht 840 million.

19. TRADE AND OTHER ACCOUNTS PAYABLE

	Consolidated F/S		(Unit: Thousand Baht) Separate F/S	
	2018	2017	2018	2016
Trade accounts payable – general suppliers	8,382	16,550	8,250	16,361
Trade accounts payable – related companies	7,085	6,906	15,016	15,457
Other accounts payable – general suppliers	4,460	4,414	1,521	1,386
Other accounts payable – related companies	9	7	44	60
Total	19,936	27,877	24,831	33,264

20. AUTHORIZED SHARE CAPITAL AND WARRANT

Movements of authorized share capital, and fully paid-up share capital for the year ended 31 December 2018 are as follow:

Authorized share capital	Number of Shares	Par value (Baht)	Baht
Balance as at 1 January 2018	499,999,951	1.00	499,999,951
Increased share capital	49,999,293	1.00	49,999,293
Balance as at 31 December 2018	549,999,244	1.00	549,999,244

Issued and fully paid-up share capital	Number of Shares	Par value (Baht)	Baht
Balance as at 1 January 2018	399,999,337	1.00	399,999,337
Increased share capital	49,999,463	1.00	49,999,463
Balance as at 31 December 2018	449,998,800	1.00	449,998,800

During the year 2018, the Company increased authorized share capital from Baht 499,999,951 to Baht 549,999,244 by issuing new 49,999,293 common shares at par value of 1 Baht, totaling Baht 50 million to its existing shareholders on a pro-rata basis with no cost.

Movements of authorized share capital, and fully paid-up share capital for the year ended 31 December 2017 are as follow:

Authorized share capital	Number of Shares	Par value (Baht)	Baht
Balance as at 1 January 2017	299,999,971	1.00	299,999,971
Increased share capital	199,999,980	1.00	199,999,980
Balance as at 31 December 2017	499,999,951	1.00	499,999,951

Issued and fully paid-up share capital	Number of Shares	Par value (Baht)	Baht
Balance as at 1 January 2017	299,999,971	1.00	299,999,971
Increased share capital	99,999,366	1.00	99,999,366
Balance as at 31 December 2017	399,999,337	1.00	399,999,337

During the year, the Company increased authorized share capital from Baht 299,999,971 to Baht 499,999,951 by issuing new 199,999,980 common shares at par value of 1 Baht, totaling Baht 200 million to its existing shareholders. The warrants were issued to support a stock dividend of and the issuance of warrants (2S-W1) for 100 million units on a pro-rata basis with no cost. The exercise price is Baht 7.50 per share and the warrants shall be valid for 2 years.

21. EARNING PER SHARE

As discussed in Note 20 above, the Company had declared the payment of a stock dividend to existing shareholders that increased the number of issued shares from 500 million shares to 550 million shares. Under Thai Accounting Standard No.33 “Earnings Per Share”, this increase in

share capital from stock dividend is considered as if the number of shares have been changed since prior period. The Company therefore retroactively adjusted the computation of earnings per share for the previous year based on revised number of shares.

There is no potential dilution in earnings per share from the exercise of warrants because the average share price during this year was lower than the exercise price of the warrants. The Company therefore, has not computed the diluted earnings per share from outstanding warrants.

22. ACCRUED EXPENSES

	Consolidated F/S		(Unit : Thousand Baht) Separate F/S	
	2018	2017	2018	2017
Accrued bonus	12,082	20,960	9,652	17,677
Accrued transportation	8,590	7,587	8,590	7,587
Accrued utilities	2,732	2,955	1,292	1,290
Accrued salary and other employee benefits	3,113	2,815	2,472	2,199
Accrued other expenses	2,908	2,132	2,316	1,751
Accrued interest	175	208	175	208
Total	29,600	36,657	24,497	30,712

23. POST - EMPLOYMENT BENEFIT PLANS

23.1 Defined benefit plans

During the years ended 31 December 2018 and 2017, movements in employee benefits obligation are as follow:

	Consolidated F/S		(Unit : Thousand Baht) Separate F/S	
	2018	2017	2018	2017
Beginning Balance	9,486	8,560	8,420	7,584
Current service cost for the year charged to statements of profit or loss	644	673	581	612
Interest cost for the year in statements of profit or loss	317	303	286	274
Less Current portion due within 1 year	-	(50)	-	(50)
Ending Balance	10,447	9,486	9,287	8,420

Principal actuarial assumptions are as follows:

	Consolidated F/S	Separate F/S
Discount rate for salary	2.75-3.36 percent per annum	3.36 percent per annum
Discount rate for wage	2.75-3.11 percent per annum	2.75 percent per annum
Mortality rate	Thai Mortality Table 2008	Thai Mortality Table 2008
Future salary expense increment rate	6.23-6.41 percent per annum	6.41 percent per annum
Future wage expense increment rate	2.60-5.00 percent per annum	2.60 percent per annum
Normal retirement age	60 years	60 years
Number of employees	357 persons	232 persons

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	(Unit: Thousand Baht)	
	The defined benefit obligation	
	Consolidated F/S	Separate F/S
Discount rate (0.5% increment)	(354)	(328)
Discount rate (0.5% decrement)	376	350
Future salary growth (0.5% increment)	433	396
Future salary growth (0.5% decrement)	(409)	(374)
Employee turnover (1.0% increment)	(578)	(489)
Employee turnover (1.0% decrement)	646	548

On 13 December 2018, the National Legislative Assembly approved the Labour Protection Act, that will become effective 30 days after its publication in the Government Gazette, determined employer to pay compensation, if an employee work consecutively period of 20 years or more, employees have right to receive severance payment of 400 days of wages at the most recent rate. When the labour law come into force, the Group will recognize the increase in provision for employee benefits including past services cost. However, the Group is in the process for recalculating the employee benefits obligations by the actuary and the Group considers the impact will be immaterial to the consolidated and separate financial statements.

23.1 Defined provident fund plan

The Group and their employees have jointly established a provident fund plan in accordance with the Provident Fund Act B.E. 2530. The Group and their employees contributed to the fund monthly at the rate of 3.00% of basic salaries. The fund is managed by Kasikorn Asset Management Co., Ltd. and SCB Asset Management Co., Ltd. and will be paid to the employees upon termination in accordance with the fund rules.

For the years ended 31 December 2018 and 2017, the Group contribution amounted to Baht 1.22 million and Baht 1.12 million, respectively, in the consolidated financial statements and Baht 0.89 million and Baht 0.83 million, respectively, in the separate financial statements.

24. INCOME TAX

Reconciliation of income tax expenses are as follows:

	(Unit : Thousand Baht)			
	Consolidated F/S		Separate F/S	
	2018	2017	2018	2017
Accounting profit before tax	129,310	353,049	128,521	345,672
Applicable tax rate	20	20	20	20
Tax multiplied by applicable tax rate	25,862	70,610	25,704	69,134
Adjustment for:				
Non – deductible expenses	2,018	1,264	2,000	1,249
Tax – exempt income	(5,859)	(6,907)	(3,407)	(1,443)
Profit from promoted operation	(738)	(495)	-	-
Related transaction	(261)	670	-	-
Unrecognized deferred tax assets	2,907	3,215	-	-
Income tax	23,929	68,357	24,297	68,940
Income tax consisted of:				
Current income tax	25,415	69,754	24,470	69,117
Deferred tax from temporary differences	(1,486)	(1,397)	(173)	(177)
Total income tax	23,929	68,357	24,297	68,940

25. DEFERRED TAX

Deferred income tax asset and liability

The movements in deferred income tax assets/liabilities are as follows:

(Unit : Thousand Baht)			
Consolidated F/S			
	Recognised as income (expense)		
	1 January 2018	Statement of income	Other comprehensive income
			31 December 2018
Deferred tax assets from:			
Provision for employee benefits obligation	1,910	193	-
Deferred tax liabilities from:			
Surplus from fair value of land, buildings and equipment	(25,881)	1,293	-
Deferred tax liabilities, net	(23,971)	1,486	(22,485)

(Unit : Thousand Baht)			
Consolidated F/S			
	Recognised as income (expense)		
	1 January 2017	Statement of income	Other comprehensive income
			31 December 2017
Deferred tax assets from:			
Provision for employee benefits obligation	1,715	195	-
Deferred tax liabilities from:			
Surplus from fair value of land, buildings and equipment	(27,083)	1,202	-
Deferred tax liabilities, net	(25,368)	1,397	(23,971)

(Unit : Thousand Baht)			
Separate F/S			
	Recognised as income (expense)		
	1 January 2018	Statement of income	Other comprehensive income
			31 December 2018
Deferred tax assets from:			
Employee benefits obligation	1,697	173	-
Deferred tax liabilities from:			
Surplus from fair value land	(11,095)	-	-
Deferred tax liabilities, net	(9,398)	173	(9,225)

(Unit : Thousand Baht)			
Separate F/S			
	Recognised as income (expense)		
	1 January 2017	Statement of income	Other comprehensive income
			31 December 2017
Deferred tax assets from:			
Employee benefits obligation	1,520	177	-
Deferred tax liabilities from:			
Surplus from fair value land	(11,095)	-	-
Deferred tax liabilities, net	(9,575)	177	(9,398)

As at 31 December 2018, the Company and subsidiaries have not recognized deferred tax assets as follows:

- In the consolidated financial statements, the subsidiary's loss carried forward and inter-company gain/loss of Baht 17.82 million (31 December 2017: Baht 14.70 million) as the Company and subsidiary believe that future taxable profits may not be sufficient to utilize unused tax losses
- In the consolidated financial statements and separate financial statements, allowance for doubtful debts amounting to Baht 10.12 million and Baht 8.90 million, respectively (31 December 2017: Baht 10.30 million and Baht 8.76 million, respectively) because they are unlikely to reverse in the foreseeable future.

26. EQUITY

26.1 Legal reserve

Pursuant to Section 116 of the Public Limited Company Act B.E. 2535, the Company is required to set aside as a statutory reserve at least 5% of its net income for the year after deducting accumulated deficit brought forward (if any) until the reserve reaches 10% of the registered capital. The legal reserve is not available for dividend distribution.

26.2 Dividend payment

At the Annual General Meeting for the year 2018 held on 4 April 2018, the shareholders passed a resolution to pay dividend from net profit for the second half of the year (July – December) of 2017 from non-promoted business for 400 million common shares at Baht 0.2250 per share totalling Baht 90 million. The dividend was paid on 3 May 2018.

Dividend	Baht per share	Numbers of shares (Million shares)	Amount (Million Baht)
Stock dividend (at the ratio of 8 existing shares per 1 stock dividend)	0.1250	399.99	49.99
Cash dividend	0.1000	399.99	39.99
Total	0.2250	399.99	89.98

At the Board of Director Meeting No. 3/2018 held on 14 August 2018, the directors passed a resolution to approve the payment of interim dividends from non-promoted income for the six-month period end 30 June 2018 of Baht 0.07 per share for 450 million common shares totalling Baht 31.50 million. The dividend was paid on 12 September 2018.

At the Annual General Meeting for the year 2017 held on 26 April 2017, the shareholders passed a resolution to pay a dividend from income from operations for the second half year (July – December) of 2016 from non-promoted business 300 million common shares at Baht 0.4333 per share totalling Baht 130 million. The dividend was paid on 25 May 2017 as follows:

Dividend	Baht per share	Numbers of shares (Million shares)	Amount (Million Baht)
Stock dividend (at the ratio of 3 existing shares per 1 stock dividend)	0.3333	300	100
Cash dividend	0.1000	300	30
Total	0.4333	300	130

At the Board of Director Meeting No. 3/2560 held on 9 August 2017, the directors passed a resolution to approve the payment of interim dividends from non-promoted income for the six-month period ended 30 June 2017 of Baht 0.06 per share for 400 million common shares totaling Baht 24 million. The dividend was paid on 7 September 2017.

27. EXPENSES BY NATURE

Significant expenses by nature are as follows:

Significant expenses by nature are as follows:

	(Unit : Thousand Baht)			
	Consolidated F/S		Separate F/S	
	For the years ended 31 December			
	2018	2017	2018	2017
Salaries, wages and other employee benefits	107,705	100,262	68,785	64,301
Executives' remuneration	29,527	34,914	22,194	27,210
Depreciation and amortization	39,399	37,196	14,255	11,950
Transportation expenses	72,807	56,120	95,244	71,222
Manufacturing service costs	-	8	82,733	80,255
Loss from cost of goods exceeding net realizable value	12,522	545	12,522	545
Loss from exchange rate	1,512	-	1,512	-
Raw material and supplies used	3,346,536	2,899,413	3,330,174	2,892,855
Purchase of finished goods	1,574,713	1,063,678	1,574,713	1,062,587
Change in finished goods and work in process	53,836	(101,681)	76,549	(89,614)

28. SEGMENT REPORTING

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.

The Company and subsidiaries' business operations are categorized mainly into 2 principal segments: (1) trading of steel products including raw material and (2) production and distribution of steel products. Below are revenues of the Company and subsidiaries for the years ended 31 December 2018 and 2017.

	(Unit : Million Baht)							
	Consolidated F/S							
	For the years ended 31 December							
	Trading (Raw material included)		Production and distribution of steel products		Eliminated		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Revenues from external customers	1,534.96	1,019.75	3,914.55	3,503.97	-	-	5,449.51	4,532.72
Revenues from inter-segments	257.98	190.61	82.73	80.53	(340.71)	(271.14)	-	-
Total revenue	1,792.94	1,210.36	3,997.28	3,584.50	(340.71)	(271.14)	5,449.51	4,532.72
Interest income	1.02	0.76	2.61	2.60	(2.04)	(1.47)	1.59	1.89
Interest expense	5.03	4.08	12.84	14.03	(2.04)	(1.47)	15.83	16.64
Depreciation and amortization expenses	-	-	41.46	39.43	(1.14)	(1.79)	40.32	37.64
Segment profits	29.56	50.41	73.01	235.21	2.81	(0.93)	105.38	284.69
Segment assets	575.16	487.01	1,282.30	1,442.30	-	-	1,857.46	1,929.31
Increased of segment non-current assets	-	-	45.11	19.33	-	-	45.11	19.33
Segment liabilities	-	-	543.27	649.00	-	-	543.27	649.00

The Company does not present segmental information by geographies because the segment in Laos is insignificant.

Major Customer

The Company does not have revenue generated from any customer more than 10 percent of revenue in the consolidated or separate financial statements.

29. INVESTMENT PROMOTION PRIVILEGES

The subsidiary has privileges under investment certificates covered by the Promotion of Investment Act B.E. 2520 (A.D. 1977), as follows:

Certificate No.	Date	Promoted activity types	Commence date of revenues generated	Expiry date
<u>The subsidiary</u>				
1573(5)/2554	14 February 2011	Production of metal products including metal parts	31 July 2011	30 July 2019
2488(2)/2557	25 August 2014	Cold formed structural steel sections	29 February 2016	29 February 2024

The subsidiary has privileges as follows:

- Exemption from import duty on approved imported machinery.
- Exemption from corporate income tax on profits from the promoted activity for a period of eight years commencing the date that income was first derived.
- Exemption from income tax on dividends paid to the shareholders from the profit of the promoted operations during the period in which the corporate income tax is exempted.

As a promoted company, the subsidiary must comply with certain conditions and restrictions provided for in the promotional certificates.

Based on the Announcement of the Board of Investment No. Por 14/1998 dated 30 December 1998 regarding revenue reporting of a promoted industry, the subsidiary is required to report the revenues separately for promoted and the non – promoted businesses. The revenue for the years ended 31 December 2018 and 2017 are follows:

Thousand Baht			
	Promoted business	Non - promoted business	Total
2018			
Revenue from sales	32,715	5,416,795	5,449,510
2017			
Revenue from sales	25,115	4,498,605	4,523,720

30. COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2018, the Company has commitments and contingent liabilities as follows:

- 30.1 The Company has two agreements dated 5 January 2004 and 19 November 2007 with other persons for the construction of two warehouses with right to use the land located in Suratthani province for 15 years. The rental fee is Baht 0.40 million per annum. When the land-lease agreements expire, the ownership of the warehouses will be transferred to the lessor, except for the building's equipment that should be returned to the lessee.
- 30.2 A Subsidiary has two land-lease agreements dated 2 August 2011 and 1 August 2015 with related persons for the right to use land located in Vientiane, for 15 and 30 years, respectively. The rental fee is Baht 0.46 million per annum. When the land-lease agreement expires, the ownership of the warehouses which located at land will be transferred to the lessor.
- 30.3 The Company has purchase orders for raw materials and finished goods which have not yet been received of Baht 237 million and Baht 36 million, respectively, in the consolidated and separate financial statements.

30.4 As at 31 December 2018 and 2017 the credit facilities of the Company and subsidiary are as follows:

		(Unit : Million)					
		Consolidated F/S					
		31 December 2018			31 December 2017		
Currency		Total	Utilised	Remained	Total	Utilised	Remained
Letters of guarantee	Baht	9.86	2.61	7.25	9.86	2.61	7.25
Bank overdraft	Baht	14.94	-	14.94	14.94	-	14.94
Promissory notes	Baht	1,005.00	100.00	905.00	905.00	325.00	580.00
Trust receipt agreement	Baht	800.00	351.77	448.23	800.00	173.17	626.83

		(Unit : Million)					
		Separate F/S					
		31 December 2018			31 December 2017		
Currency		Total	Utilised	Remained	Total	Utilised	Remained
Letters of guarantee	Baht	8.30	1.05	7.25	8.30	1.05	7.25
Bank overdraft	Baht	10.00	-	10.00	10.00	-	10.00
Promissory notes	Baht	1,005.00	100.00	905.00	905.00	325.00	580.00
Trust receipt agreement	Baht	800.00	351.77	448.23	800.00	173.17	626.83

The above obligations are collateralized by the same assets as for the credit facilities received from the financial institution as mentioned in Note 18.

31. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities carried on the statement of financial position include cash and cash equivalents, restricted deposits with banks, trade and other accounts receivable and payable and loans. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies in Note 4 to the financial statements.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The significant financial assets and liabilities are classified below, according to interest rate type:

		(Unit : Thousand Baht)					
		Consolidated F/S					
		2018					
		Fixed interest rate			Floating	Non	Interest
		Within 1 year	More than to 5 years	More than 5 years	Interest rate	Interest rate	Rate
						Total	(% per annum)
Financial assets							
Cash at banks		-	-	-	36,872	27,876	0.38 – 0.67
Trade and other accounts receivable - net		-	-	-	-	353,921	-
Restricted deposit with banks		17,345	-	-	-	17,345	0.65 – 1.05
Total		17,345	-	-	36,872	381,797	
Financial liabilities							
Short - term loans from financial institutions		-	-	-	451,770	-	MIT, MLR-3 to MRR
Trade and other accounts payable		-	-	-	-	19,936	-
Liabilities under finance lease agreement		7	-	-	-	7	7.04
Total		7	-	-	451,770	19,936	

(Unit : Thousand Baht)

Consolidated F/S							
2017							
	Fixed interest rate			Floating	Non		Interest
	Within	More than	More than	Interest	Interest	Total	Rate
	1 year	to 5 years	5 years	rate	rate		(% per annum)
<u>Financial assets</u>							
Cash at banks	-	-	-	27,092	45,438	72,530	0.125 - 0.90
Trade and other accounts receivable - net	-	-	-	-	316,444	316,444	-
Restricted deposit with banks	17,241	-	-	-	-	17,241	2.25 – 2.75
Total	17,241	-	-	27,092	361,882	406,215	
<u>Financial liabilities</u>							
Short - term loans from financial institutions	-	-	-	498,166	-	498,166	MIT, MLR-3 to MRR
Trade and other accounts payable	-	-	-	-	27,877	27,877	-
Liabilities under finance lease agreement	196	7	-	-	-	203	7.04
Total	196	7	-	498,166	27,877	526,246	

(Unit : Thousand Baht)

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(Unit : Thousand Baht)

	Separate F/S						
	2017						
	Fixed interest rate			Floating	Non		Interest
	Within	More than	More than	Interest	Interest	Total	Rate
	1 year	1 – 5 years	5 years	rate	rate		(% per annum)
Financial assets							
Cash at banks	-	-	-	21,335	42,914	64,249	0.125 - 0.75
Trade accounts receivable and other - net	-	-	-	-	371,526	371,526	-
Loan to subsidiary companies	20,236	17,983	-	-	-	38,219	2.50 - 3.75
Restricted deposit with banks	17,241	-	-	-	-	17,241	2.25 - 2.75
Total	37,477	17,983	-	21,335	414,440	491,235	
Financial liabilities							
Short - term loans from financial institutions	-	-	-	498,166	-	498,166	MIT, MLR-3 to MRR
Trade and other accounts payable	-	-	-	-	33,264	33,264	-
Liabilities under finance lease agreement	196	7	-	-	-	203	7.04
Loan from subsidiary companies	11,503	-	-	-	-	11,503	3.60
Total	11,699	7	-	498,166	33,264	543,136	

Exchange rates risk

The Company and its subsidiaries sometimes execute transactions in foreign currencies. However, as at 31 December 2018 and 2017, the Company and subsidiaries do not have assets and liabilities in the foreign currencies. The Company and its subsidiaries use forward foreign exchange contracts to manage foreign exchange risk.

Credit risk

Risk from non-collection arises if customers are not able to settle obligations to the Group within the normal terms of trade. The Group considers the majority of its sales to be to companies with a sound financial position and a good record of debt payment capability. The Group has also established a long-term relationship with these companies. In addition, the Group periodically assesses the financial viability of customers. Moreover, the appropriate allowance for doubtful debt has been set by the Group. The Group believes that accounts receivable at the reporting date present recoverable value.

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The amendment to TAS 7, effective 1 January 2018, require the Group to provide disclosures about the changes in liabilities from financing activities. The Group categorizes those changes into changes arising from cash flows and non-cash changes with future sub-categories as required by TAS 7.

The changes in the Group's liabilities arising from financing activities can be classified as follows;

(Unit : Thousand Baht)

Consolidated F/S				
	Short-term loans from financial institutions	Short-term loans from subsidiary	Liabilities under financial lease agreement	Total
1 January 2018	498,166	-	203	498,369
Cash-flows:				
Repayment	(6,392,976)	-	(196)	(6,393,172)
Proceeds	6,346,580	-	-	6,346,580
31 December 2018	451,770	-	7	451,777

(Unit : Thousand Baht)

Consolidated F/S				
	Short-term loans from financial institutions	Short-term loans from subsidiary	Liabilities under financial lease agreement	Total
1 January 2017	577,129	-	383	577,512
Cash-flows:				
Repayment	(7,123,006)	-	(180)	(7,123,186)
Proceeds	7,044,043	-	-	7,044,043
31 December 2017	498,166	-	203	498,369

(Unit : Thousand Baht)

Separate F/S				
	Short-term loans from financial institutions	Short-term loans from subsidiary	Liabilities under financial lease agreement	Total
1 January 2018	498,166	11,503	203	509,872
Cash-flows:				
Repayment	(6,392,976)	(13,029)	(196)	(6,406,201)
Proceeds	6,346,580	10,029	-	6,356,609
31 December 2018	451,770	8,503	7	460,280

(Unit : Thousand Baht)

	Separate F/S			Total
	Short-term loans from financial institutions	Short-term loans from subsidiary	Liabilities under financial lease agreement	
1 January 2017	577,129	-	383	577,512
Cash-flows:				
Repayment	(7,123,006)	-	(180)	(7,123,186)
Proceeds	7,044,043	11,503	-	7,055,546
31 December 2017	498,166	11,503	203	509,872

33. FAIR VALUE MEASUREMENT

Fair value is the price that would be received from sale of asset or paid for liability in an orderly transactions between market participants at the measurement date.

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

The fair values are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability.

If the inputs used to measure the fair value of an asset or liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The carrying value of financial assets and liabilities of the Group are considered to approximate their fair value.

Non - financial assets measured at fair value as at 31 December 2018 and 2017 is as following;

	(Unit : Thousand Baht)			
	Consolidated F/S			
	Level 1	Level 2	Level 3	Total
Non - financial assets				
Revaluation of land	-	151,921	-	151,921
	(Unit : Thousand Baht)			
	Separate F/S			
	Level 1	Level 2	Level 3	Total
Non - financial assets				
Revaluation of land	-	104,157	-	104,157

The Group re-measured land in 2015 using the Market Approach. The fair value calculated by the market approach was based on the comparable land price, then adjusted with factors which impact both the land and the comparable land. The Weighted Quality Score (WQS) is then used to defend the land fair value.

As at 31 December 2018 and 2017, the Company has forward exchange contract with a commercial bank to hedge the receipt and payment of foreign currencies. The Company has not recorded the forward exchange amount in the financial statements. The maturity dates of open forward exchange contracts which are not over 1 year are detailed as follow:

Contract Value Million USD currency		Contract Value Million BAHT currency	
CONSOLIDATED and SEPARATE F/S		CONSOLIDATED and SEPARATE F/S	
2018	2017	2018	2017
-	2.96	-	98.62

The fair value, (level 2), of the derivatives with an open status at years ended are as follow:

		(Unit : Million Baht)	
		Consolidated and Separate F/S	
		2018	2017
Fair value of forward foreign currency contract		-	1.45

34. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's objectives in the management of capital is to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment policy or issue new shares or new debentures to finance debts, or sell assets to reduce debts.

35. EVENTS AFTER THE REPORTING PERIOD

At the Board of director's meeting No. 1/2019, held on 27 February 2019, the meeting passed the resolution to propose to the Annual General Meeting of Shareholders 2019 for approval to pay dividend from its net profit after tax year 2018 at Baht 0.07 per share for 449,998,800 shares for a total amount of Baht 31.50 million.

36. AUTHORISATION OF FINANCIAL STATEMENTS

The consolidated and separate financial statements for the year ended 31 December 2018 (including comparative financial statements) were approved by the Board of Directors on 27 February 2019.



บริษัท 2 เอส เมทัล จำกัด (มหาชน)

ที่ตั้งสำนักงานใหญ่ : เลขที่ 8/5 หมู่ที่ 14 ตำบลท่าช้าง
อำเภอบางกล่ำ จังหวัดสงขลา
โทร. 074-800111 โทรสาร 074-800286

สำนักงานคณะกรรมการ : เลขที่ 1 อาคารคิวเฝ้าสุ่มพินิจ ชั้น 27 ถ.สาทรใต้
ทุ่งมหาเมฆ เขตสาทร กรุงเทพฯ
โทร. 02-6103883 โทรสาร 02-6103871