

2019 Annual Report

รายงานประจำปี 2562

BUSINESS OPERATION

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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.

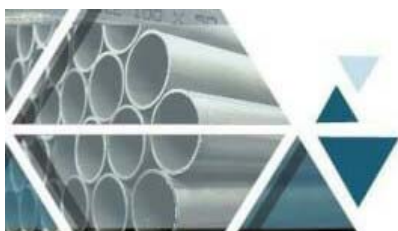
Production policy of the Company is set to perform at the highest capability and to control cost of production so it is at the lowest level. Lowering losses in manufacturing process, running at full capacity, and performing machinery maintenance regularly will be a cost advantage and increase its competitive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



ทศ. 1228 - 2549
ทศ. 1479 - 2541
ทศ. 528 - 2548



ทศ. 107 - 2533
ทศ. 737 - 2549
ทศ. 747 - 2531




URS is a member of Register of Standards (Holdings) Ltd.



" Investors can find more information from the Company's Annual Registration Statement (Form 5B-1) at

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

Company's Profile

Company Name	: 2S Metal 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	: 449,999,095 Baht
Shares type	: Ordinary shares
Par Value	: 1 Baht per share
Head Office and Plant Location	: No.8/5 Moo 14, Tha-chang, Bangklam District, Songkhla Province 90110 Tel : 074-800111 Facsimile : 074-801286
website	: www.ss.co.th
CG Report	: 
Suratthani Warehouse	: No. 24/19 Moo 4, Karnjanavithi Road, Bangkung, Muang District, Suratthani Province 84000 Tel : 077-289957-8 Facsimile : 077-224664
Bangkok Branch	: No. 200 Phutthamonthon 3 rd., NongKhangPhlu, NongKhaem, Bangkok 10160 Tel: 082-7349461-3 Facsimile: 02-8075634
Korat Branch	: No. 147 Moo 9, Nong-Ngulueam, ChaloenPhraKiat, Nakhonratchasima Province 30330 Telephone : 044-207247-51 Facsimile : 044-207272
Board Office	: No. 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 11 th Floor Capital Tower, All Seasons Place 87/1 Wireless Road, Lumpini, Pathumwan, BKK10330 Thailand, Tel: +662 205 8222

Financial Highlights

<i>Consolidate (MB)</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>
Revenue form sales	4,523.72	5,449.51	5,396.27
Gross income	558.94	357.49	406.31
Net - income	284.69	105.55	133.38
Total Assets	1,929.31	1,857.46	1,766.51
Total Liabilities	649.00	543.27	388.84
Shareholders' Equity	1,281.84	1,351.88	1,379.55
Issued and paid-up shares	400	450	450

<i>Financial Ratio</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>
Gross Profit Margin (%)	12.36	6.56	7.53
Net Profit Margin(%)	6.29	1.93	2.46
Earning per Share (Baht)	0.71	0.23	0.30
Book Value per Share (Baht: Share)	3.04	2.95	3.07
Return on Asset (%)	20.07	7.67	9.38
Return on Equity (%)	24.39	8.13	9.90
Debt to Equity ratio (times)	0.51	0.41	0.28
Interest coverage ratio (times)	15.50	14.73	32.46
Current Ratio (times)	2.25	2.48	3.39
Average collection period (Date)	26	23	24
Average inventory (Date)	61	50	43

Message from the Board of Director

In 2019, The domestic economy was fragile, especially during the last half when after various factors surfaced. Trade protection measures of countries with large economies affected the demand and supply in Thailand, causing a major shrink of industries such as construction industry and automotive industry. This downturn affected the steel industry in a large scale because it increased even higher competition in the market. During that time, the company operated the business with careful management style in all sections including production, distribution, transportation, and finance. This resulted in net profit of 133.38 million baht, an increase of 26.48 percent from the previous year. The company managed to keep up revenue and sales volume during the economic slowdown.

In this rapidly changing technological era, the company places importance on technology and new innovations and seeks to effectively apply them with the business operation which will create value in many dimensions. Technology has enhanced production, improved procurement of machinery that could add value to the products, and saved energy by solar roof system. It also creates effective sales system, transportation system, warehouse and data storage.

Dr. Kanchit Singsuwan
Chairman

However, an important mechanism for business to meet its goals is to have quality staff. The company encourages staff to have good work ethics and take everyone to the account of their actions, both in their society and environment. The company also emphasizes on the fight against corruption for the company to run the business with sustainable growth. Last year, the company has also been certified as a private sector that cooperates in combatting corruption by Coalition Against Corruption (CAC).

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.

Mr. Sombat Leeswadtrakul
Chief of Executive Officer

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 Bang Klam 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% 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 449,999,095 at par value Baht 1 per share.

Background

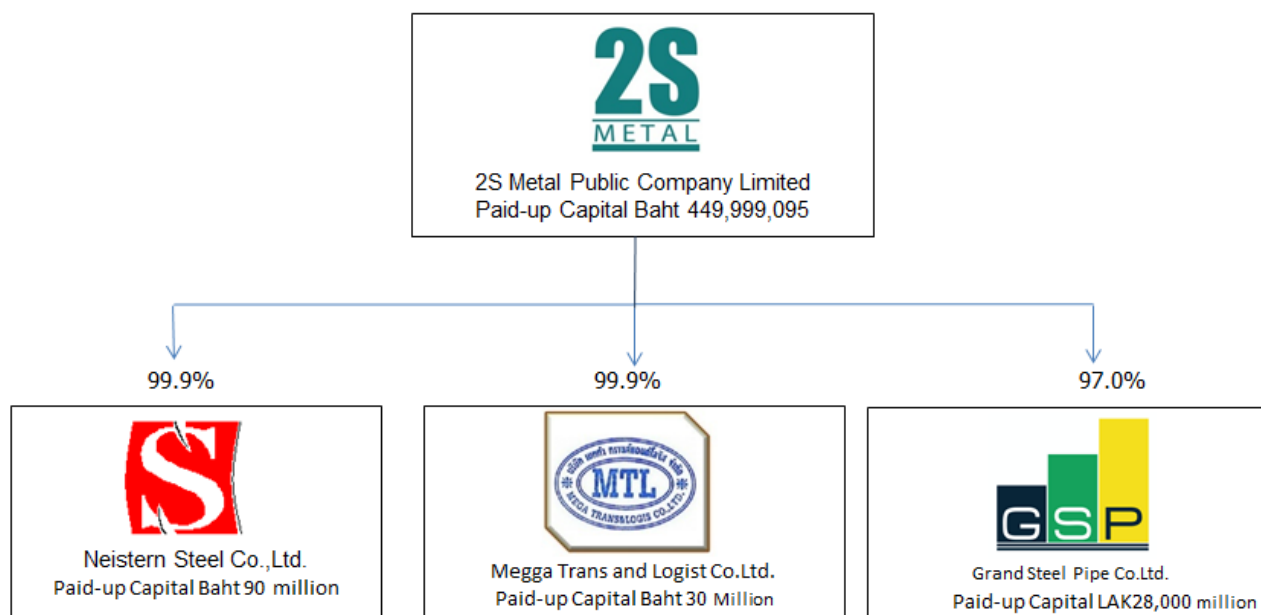
The company is a big sole producer of formed steel in the south such as steel sheet, steel pipe, C-channel steel, angle bar, etc. and trading of other formed steel products such as galvanized steel pipe, equal angle, H-beam, I-Beam, channel, checkered plate, hot rolled coil, cold round bar, etc., or 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 152,000 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 175,800 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. (GSP) 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. Telephone : +856 21 820112-3
Nature of Business : Original Equipment Manufacturer (OEM) for the Company.	Nature of Business : Transportation	Nature of Business : Manufacturing and Distribution of steel products
Paid-up Capital : Baht 90,000,000 Par value : 50 Baht /share	Paid-up Capital : Baht 30,000,000 Par value : 100 Baht /share	Paid-up Capital : LAK 28,000,000,000 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 with no cost in the ratio of 3 existing shares for 1 unit of warrant.
- Grand Steel Pipe Co.,Ltd., the subsidiaries, increased capital to be LAK28,000 million by issued ordinary shares amount 2,500,000 shares at par value 8,000 LAK/share allocated to the Commpany 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 capital to Baht 549,999,244 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-up capital capital is Baht 450 million.
- The Company received the SET Awards 2018 on the outstanding performance of the company 'Outstanding Company Performance Awards 2018'



2019

- The Company registered its paid-up capital from Baht 449,998,800 to Baht 449,999,095 at a par value of Baht 1 per share, which increased Baht 295 from the last subscription of 2S-W1
- The company has been certified as a private sector that cooperates in combatting corruption by Coalition Against Corruption (CAC)

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 and 30,000 tons/year respectively. Applications of steel sheet are in a variety of industries, eg. Construction, furniture manufacturing, ship building 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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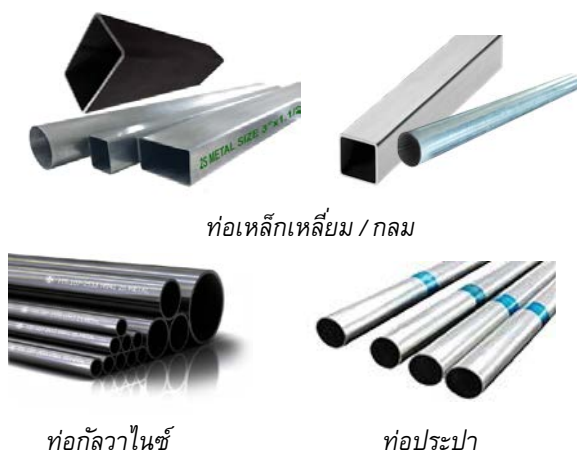
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ความหนา 2.00-5.8 มม.

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 84,000 tons per year and 66,000 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 38,400 tons per year and 76,000 tons per year, respectively. C-Channel steel is mainly used as roof structure in construction industry



มอก. 1228-2549

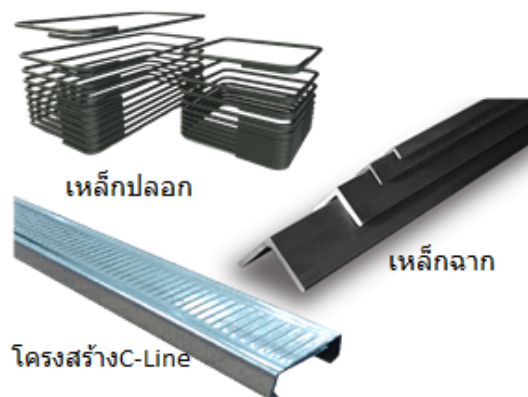


Wire mesh

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 15,300 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.

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.



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 2017-2019 are as follows:

Type of products	Consolidated					
	2017		2018		2019	
	Bt. Million	%	Bt. Million	%	Bt. Million	%
Revenues from sales of formed steel	3,459.65	76.48	3,811.83	69.95	3,679.17	68.18
Steel products for trading	1,019.75	22.54	1,534.96	28.17	1,602.68	29.70
Income from by-products ¹	44.32	0.98	102.72	1.88	114.42	2.12
Total revenues from sales	4,523.72	100.00	5,449.51	100.00	5,396.27	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_Songkla Province, Suratthani Province, Nakhonratchasima Province and 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. มอก. 528-2548
(Quality level : HR1) Carbon Steel for Forming
2. มอก. 1479-2541
(Quality level : SS400) Hot Rolled Carbon Steel, Sheet, Rolled
3. มอก. 1228-2549
Cold forming, C type
4. มอก. 1227-2539
Hot forming – Beam, Angle bar, Channel steel
5. มอก. 20-2543
Reinforcement, round bar
6. มอก. 24-2548
Round bar-reinforced, Deformed Bar



General Standards

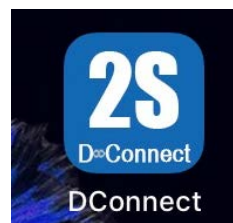
1. มอก. 107-2533
Round pipe
2. มอก. 737-2549
Wire -mesh reinforced
3. มอก. 747-2531
Cold Drawn Wire
4. มอก. 277-2532
Galvanized Pipe

- **Place**

Since technology is now far advanced, the company has used technology to develop and expand its distribution channels for dealers, both wholesalers and retailers. In the era when internet is one of the biggest parts of daily life, the company can use technology to create more channels to communicate with customers or prospects and share product information via Facebook, D- connect application via mobile phone, and e-order system on company's website. In term of shipping, since the company is a steel manufacturer with factories located in the southern and northeastern regions, it is convenient to provide continuous services for customers and fast product deliver. It also helps the Company to build and maintain good relationship with dealers, both 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

There are different groups of customers which are steel shops, construction businesses, furniture businesses, modern trade businesses and end users, which are mainly located in the northeastern and southern regions. The company does not rely on any one customer who has sales volume of more than 10% of the sales revenue.

Sources of Supply

➤ **Raw materials:** The main raw materials used in production are divided into 2 groups;

1. Hot rolled steel and galvanized rolled steel for the production of C-channel steel pipes and cut-to-size steel sheet
2. Wire rod for the production of wire mesh sieve

The company purchases the mentioned types of steel from both domestic and foreign steel manufacturers and distributors, considering on the quality, delivery and reasonable price. To place order, the company has to pre-order from 15 to 45 days in advance in order to have sufficient raw materials for production.

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**

At present, the Company and subsidaires have 5 plants and warehouses. The total capacities 359,100 tons/year and storing finished goods and raw material (HRC) for production line approximate 15-30 days. These can reduce the price fluctuates in line with the global demand-supply situation and products are sufficited to deliverly customers.

Location	Type	Area
Songkhla Province (HQ)	Factory and Warehouse	Apx. 33rai -1-0, 3 Buildings
Suratthanee province	Warehouse and	Apx. 3rai -0-84, 2 Buildings
Nakornratchaseema Province	Factory and Warehouse	Apx. 59rai -2-82, 3 Buildings
Bangkok	Warehouse and	Apx. 2rai -3-0 / 2 Buildings
Vientiane Capital, Lao PDR.	Factory and Warehouse	Apx. 9rai -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 2019, The company and Neastern Steel Ltd. has actual capacity utilized of all machines were 41.9% and 47.5% (excluded slitting coil), its slightly increased from 2018.

Grand Steel Pipe Co.,Ltd. has actual capacity utilized were 48.8% of the full capacity which has increased of 8% from the prevoius year.

Investment on Subsidiaries

Ended 31 December 2019, 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 28,000,000,000	97.0	87,770,000

The total investment in 3 subsitiaries was 216,770,000 Baht in total or 12.27% of total Company's assets.

Investment Promotion Prilvileges

2S Metal Public Company Limited

Promotion certificate number 62-0968-1-01-1-0, on 15 July 2019, received benefit of the exemption of corporate income tax on net profits derived from the business operation for a total of not more than 50 percent of the investment value. This benefit is given out to improve production efficiency (Solar Roof) which it will not include the cost of land and working capital in a period of 3 years, starting from the date of income collecting after receiving the promotional certificate.

Neastern Steel Co., Ltd. (subsidiary)

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 manucturing 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. Sombat Leeswadtrakul 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. Mr. Sangrungsanitapawachon (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 2019, 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 17th 2020 were as follows;

registered capital *	:	549,999,244 Baht
Paid-up capital	:	449,999,095 Baht
Ordinary Shares	:	449,999,095 shares
Par Value	:	1 Baht per share

* Included the remaining of Baht 99,999,695 ordinary shares for supporting the exercise of warrants to purchase ordinary shares of the Company no. 1 (2S-W1).

Major Shareholder

Name of top 10 shareholders as at the book closing date on February 17th 2020 are as follows:

No.	Name	No. of Shares	% of registered capital
1	Mr. Sombat Leeswadtrakul	82,380,645	18.31
2	Mr. Sangrung Nitipawachon	26,198,179	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. Bunsri Panyapiamsak	13,875,550	3.08
7	Ms. Umporn Nitipawachon	13,643,514	3.03
8	Mr. Sunt Amornlertvimarn	13,620,974	3.03
9	Ms. Suporn Nitipawachon	12,371,841	2.75
10	Ms. Sivaporn Nitipawachon	12,161,212	2.70
Total		232,488,814	51.66

Controlling Shareholders

No.	Name	No. of Shares	% of registered capital
1	Mr. Sombat Leeswadtrakul	82,380,645	18.31
	Miss Supatsorn Leeswadtrakul	9,990,000	2.22
2	Nitipawachon group	75,298,696	16.73
	Mr. Sangrung Nitipawachon	26,198,179	5.82
	Ms. Umporn Nitipawachon	13,643,514	3.03
	Ms. Suporn Nitipawachon	12,371,841	2.75
	Ms. Sivaporn Nitipawachon	12,161,212	2.70

No.	Name	No. of Shares	% of registered capital
	Ms. Chonsita Vacharaphunjit	3,050,025	0.68
	Ms. Chonlada Nitipawachon	2,338,550	0.52
	Mr. Jirayu Nitipawachon	945,000	0.21
	Miss Punyavee Nitipawachon	1,541,375	0.34
	Miss Punchika Nitipawachon	1,529,500	0.34
3	Punyapiamsak group	31,110,112	6.91
	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	2,510,000	0.56
	Ms. Boonchuay Panyapiamsak	3,043,125	0.68
	Miss Lalita Panyapiamsak	45,000	0.01

Other Securities

The warrants to purchase ordinary shares of 2S Metal Public Company Limited No. 1 (2S-W1) have allotted warrants to existing shareholders according to their proportion of shares with no cost, with a total of 99,999,371 units. The last exercise date of subscription was on 30 May 2019, in which a total of 263 units exercised with new ratio of 1: 1.125. This can be converted to 295 ordinary shares, thus the remaining of expired 2S-W1 was 99,999,108 units.

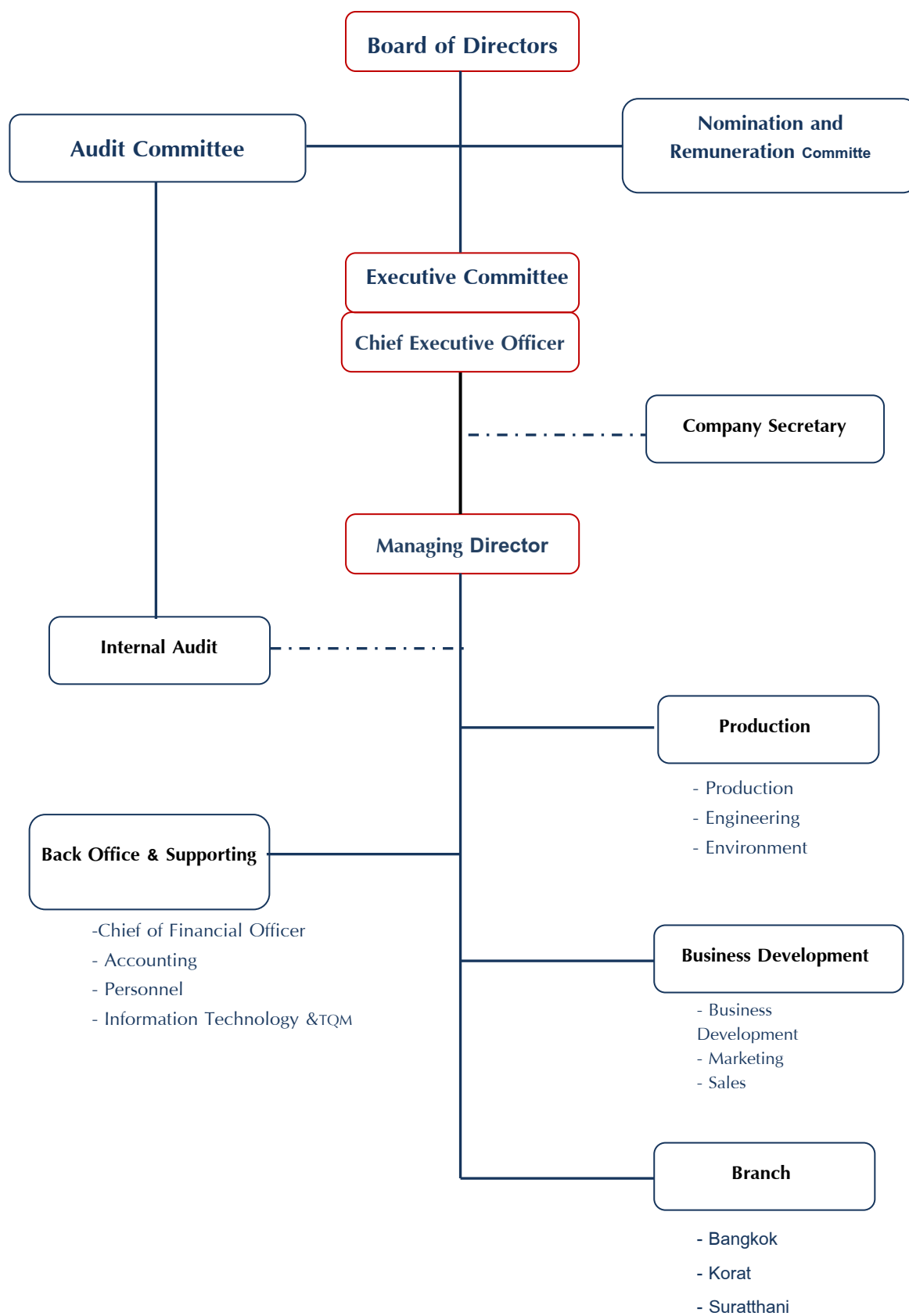
Dividend payment Policy

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	2018	2017	2016
- Net Profit_separate financial statement (M.Bt.)	104.22	276.73	334.31
- Basic profit per share (Baht/share)	0.23	0.69	1.11
- Dividend payable per share (Baht/share)	0.14	0.2850	0.5133
- Total dividend payable (million Baht)	70.00	114.0	154.0
- Dividend payout (%)	60.45	41.20	46.07

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

Committee Structure

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

	Board of Director	Audit Committee	Nomination and Remuneration Committee	Executive Committee
*1. Mr. Kunchit Singsuwan	Chairman	✓		
2. Mr. Sombat Leeswadtrakul	✓		✓	CEO
3. Mr. Sangrung Nitipawachon	✓			MD
*4. Mr. Surapon Satimanont	Vice	Chairman		
*5. Mrs. Chintana Techamontrikul	✓	✓	✓	
6. Ms. Bunsri Panyapiamsak	✓			✓
*7. Gen. Phairat Phoubon	✓		Chairman	
8. Mr. Tanatat Chawaldit	✓			
9. Mr. Preeda Wongsathitporn	✓			
*10. Mr. Woravit Chailimpamontri	✓		✓	

* Independent Director

Authorized Directors of the Company

Authorized directors for company legal obligation are Mr. Sombat Leeswadtrakul or 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, 2019 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. Jaruan Janpra-ob	IT Manager
9. Ms. Ajchara Ampaichaichoke	Human Resources Manager
10. Mr. Teerasak Onrachorn	Plant Manager

Company Secretary

Ms. PornnichaLertithibaht 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.

Profile of Board of Directors and Managements

Dr. Kanchit Singсуwan

Age 57 years.

Chairman and Audit Committee

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
- LED 1-4, Singapore Institute of Directors
- Financial Advisory, Association of Thai Securities Company (ASCO)
- Corporate Valuation program & Corporate Finance Law & Restructuring program, Asia Connect

Shareholding proportion 0 %

17 February 2020

Working experience in the past 5 years:

- Listed Company (2)
 - 2020 - present Chairman of Board of Director and Audit committee, Yong Thai Pcl.
 - 2019 - present Ind. Director, Nautic AWT Pcl. , SGX (Catalist Exchange)
- Non-Listed Company (1)
 - 2017 - present Managing Director, Baupost Associates Co.,ltd.
 - 2017 - 2019 Managing Director, Upventure Co.,ltd.
 - 2016 - 2017 Managing Director, EEGC Waste Management Corp., Ltd.
 - 2016 - 2017 Acting Deputy Managing Director, SAJJA INSURANCE PLC.

Family Relationship with the other directors

- None -

Mr.Sombat Leeswadtrakul

Age 60 years.

Director, Chief Executive Officer, Nomination & Remuneration Committee

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 : 82,380,645 shares (18.31%)
17 February 2020

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

Age (Yr.) 59

Director and Chairman of Audit Committee

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 : - %
17 February 2020

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 and Audit Committee, Sumitomo Mitsui Trust (Thailand) Bank PLC.
2018 - present	Director, S & Manont Limited.
2018 - present	Director, Audit Committee, JSSR Group Co., Ltd.
2017 - 2020	Director, Audit Committee, Hybrid Energy Co., Ltd.
2015 - 2019	Director, Amethyst Asia Focused Fund
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 -

Mrs. Chintana Techamontrikol

Age (Yr.) 65

Director and Audit Committee

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 : - %
17 February 2020

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 -

Mr. Sangrungs Nitipawachon

Age 50 years.

Director, Executive Director, Managing Director

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 : 26,198,179 shares (5.82%)
17 February 2020

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 -

Gen. Phairat Phoubon

Age (Yr.) 64

Independent Director and Chairman of Nomination and Remuneration committee**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 : - %
17 February 2020**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

Age (Yr.) 64

Director**Tenure of Directorship :** August 10th 2011**Education Background**

- WattanaColledge
- Director Accreditation Program (DAP) 92/2011, IOD

Shareholding proportion(%) : 20,157,449 shares (4.48%)
17 February 2020**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, ChaivasithParawood (2002) Co., Ltd
2008 - present Director, Neastern Steel Co., Ltd.

Family Relationship with the other directors

- None

Mr. Woravit Chailimpamontri

Age (Yr.) 50

Independent Director and Nomination and Remuneration committee**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 : - %
17 February 2020**Working experience in the past 5 years:**

- Listed Company (2)
2018 - present Audit Comm., Siam Future Development Public Co., Ltd.
2017 – present Director and Executive director, International Research Corporation Public Co., Ltd
2013 – 2015 Director and Executive director, MFC Asset Management PCL
- Non-Listed Companies (2)
2018 - present Director and Vice Chairman of Executive Committee, Sabuy Technology PCL
2017 - present Director and Chairman of Audit Committee, National Power Supply Public Co., Ltd.
2018 - 2019 Advisor, The Federation of Nontaburi

Family Relationship with the other directors

- None

Ms.Boonsri Panyapiamsak

Age (Yr.) 57

Director / Chief of Financial Officer
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: 13,875,550 shares (3.08%)
17 February 2020

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.) 54

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.) 45

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

Age (Yr.) 52

Director
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: 12,150,308 shares (2.70%)
17 February 2020

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.) 52

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.) 41

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

Mr. Teerasak Onrachorn

Age (Yr.) 36

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

Ms. Tassanee Phunuchapai

Age (Yr.) 45

Sales and Marketing Manager**Tenure of 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

Miss Pornnica Lertithibaht

Age (Yr.) 47

Company Secretary**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: 0.00 %**Working experience in the past 5 years:****Family Relationship with the other directors**

- None

Miss Ajchara Ampaichaichok

Age (Yr.) 47

Human Resources Manager**Tenure of Management** : August 1st 2019**Education Background**

- B.A., Prince of Songkla University

Shareholding proportion: - %**Working experience in the past 5 years:****Family Relationship with the other directors**

- None

Labor dispute

The total of company employees as on December 31, 2019. This consists of the employee according to the working lines as follows:

Division	No. of employees	
	Y2019	Y2018
1. Plant	110	109
2. Sales and Marketing	45	48
3. Accounting	7	7
4. Financial	3	3
5. Personnel	12	11
6. Information Technology (IT)	12	13
7. The office of Committee	1	1
8. Internal audit	1	1
9. 4 Wharehouses	59	61
Total	250	254

3 Subsidiaries consisted Neastern Steel Co.,Ltd., Maga Trans and LogisCo.,Ltd. and Grand Steel Pipe Co.,Ltd. have total employee 258 persons which excluded management.

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

Employee's compensation of 2019

The total compensation of the company's employees (excluded management) was 75.24 Bt. million. 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 20.93 and 14.20 and 7.29 Bt. Million respectively. This compensation was the form of salary, bonus wage, overtime wage, provident fund and other welfare.

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 "Corporate Social Responsibility", Respect for human rights.

Good corporate governance

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

Compliance with the principles of good corporate governance

In 2019, the company developed its production lines to be more productive while maintaining important resources by investing in a solar energy project. This investment benefited the business in both production costs and energy conservation by using energy to its maximum benefit. The company also developed software to enhance marketing and sales performance. The Board of Directors supervised business operation with regard to long-term results and benefits for all "Stakeholders" in all parties.

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 16 December, 2019 to 31 January, 2020. 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)

Shareholders:

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.

Employees:

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.

Competitors :

Avoid unfair competition, and practice on business ethics.

Business Partners:

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.

Customers:

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.

Creditors:

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.

Community and the society:

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 gists:

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.

In each quarter, the Internal Audit Department will compile information on related transactions and present it in the audit committee meeting. All transaction details and transparency matters will be reported to the Board of Directors for good corporate governance.

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 http://www.ss.co.th/th/about_th/corporate-governance_th/การแจ้งเบาะแส-การร้อง/

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 the investor relations, Mr. Sombat Leesawadtrakul (Chairman of the Executive Committee) and Mr. Sangrungs Nitipawachon (Managing Director) are responsible for communicating with investors, shareholders, analysts and relevant government sectors. For matters of investor relations, Secretary of Company Committee will be the point of contact which can be reached via phone number 02-6103883 or email pornnica@ss.co.th or <http://www.ss.co.th/th/contactusir/>

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 2019

	At 20 February 2019		Increase (decrease) during financial year	At 17 February 2020		% of registered capital
	Held personally	Held by spouses and minor Children		Held personally	Held by spouses and minor Children	
1. Mr. Kunchit Singsuwan	-	-	-	-	-	-
2. Mr. Surapon Satimanont	-	-	-	-	-	-
3. Mr. Sombat Leeswadtrakul	82,380,645	-	-	82,380,645	-	18.3%
4. Mr. Sangrung	26,188,679	945,000	9,500	26,198,179	945,000	6.03%
5. Mrs. ChintanaTechamontrikul	-	-	-	-	-	-
6. Ms. Bunsri Panyapiamsak	13,875,000	-	(608,000)	13,875,000	-	3.08%
7. Mr. Tanatat Chawaldit	12,150,308	-	-	12,150,308	-	2.70%
8. Mr. Preeda Wongsathitporn	20,157,449	-	-	20,157,449	-	4.48%
9. Gen. Phairat Phoubon	-	-	-	-	-	-
10 Mr. Worwit Chailimpamontri	-	-	-	-	-	-
11 Mrs. Tassanee Phunuchaphai	-	-	-	-	-	-
12. Mr. Pakorn OnkaewAge	49,500	-	-	49,500	-	0.01%
13 Mrs. Kannika Angruvirote	-	-	-	-	-	-
14 Mr.Pongdech Lersithisak	-	-	-	-	-	-
15 Ms.Jaruwan Janpra-Ob	101,250	-	-	101,250	-	0.02%
16 Mr. Teerasak Onrachorn	-	-	-	-	-	-
17 Ms.Ajchra Ampaichaichoke	-	-	-	-	-	-

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 37.

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 Scope of Responsibilities, page 34.

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 November 2019, 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 2019 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
2. Mr. Sombat Leeswadtrakul	4/4	-	2/2	1/1	-
3. Mr. Sangrungs Nitipawachon	4/4	-	-	1/1	-
4. Mr. Surapon Satimanont	4/4	4/4	-	1/1	1/1
5. Mrs. Chintana Techamontrikul	4/4	4/4	2/2	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	4/4	-	2/2	1/1	1/1
10. Mr. Woravit Chailimpamontri	3/4	-	1/2	1/1	1/1

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.

Nomination and Remuneration Committee determined the remuneration data of the listed company in SET compared with the evaluation of performance to set the transparently remuneration before propose to the shareholder meeting.

Compensation of 2019 was solved from the Annual General Meeting of Shareholders of 2019, held on April 24, 2019. Total amount must not exceed Bt. 4.0 million which 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.

1 Remuneration in Cash

Name		Compensation	
		Y2018	Y2019
1. Mr. Kunchit Singsowan	Salary	600,000	735,000.-
	Meeting allowance	135,000	600,000
			135,000
2. Mrs. Chintana Techamontrikul	Salary	360,000	510,000.-
	Meeting allowance	150,000	360,000
			165,000
3. Mr. Surapon Satimanont	Salary	360,000	510,000.-
	Meeting allowance	150,000	360,000
			135,000
4. Mr. Tanatat Chawaldit	Salary	360,000	435,000.-
	Meeting allowance	75,000	360,000
			75,000
5. Mr. Preeda Wongsathitporn	Salary	360,000	435,000.-
	Meeting allowance	75,000	360,000
	Allowance from Subsidiaries	20,000	75,000
			10,000
6. Gen. Phairat Phoubon	Salary	360,000	420,000.-
	Meeting allowance	60,000	360,000
			105,000
7. Mr. Woravit Chailimpamontri	Salary	240,000	275,000.-
	Meeting allowance	45,000	360,000
			75,000
		3,330,000	3,525,000

Management remuneration

	Y2019		Y2018	
	Person	Amount (MB)	Person	Amount (MB)
Salary	11	16.00	10	15.04
Bonus	10	6.55	10	6.15
Others –Commission and Provident fund	10	0.80	10	0.72
** Allowance from Subsidiaries		3.27		
Total		26.62		21.92

** Only management who seat in Subsidiaries such Neistern Steel Co.Ltd., Megga Trans and Logist Col,Ltd and Grand Steel Pipe Co.,Ltd.

2 Other Remuneration

-None-

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 Corporate governance and work ethics

The committee operate business within good corporate governance and ethical framework for sustainability and international acceptance. Therefore, the company has created a good corporate governance handbook which consists of related contents such as business ethics, good business operations, and anti-corruption policy. These topics are set to discuss in orientations for new directors, executives, and employees to study and use as a guideline to conduct business sustainably.

5.7 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).

5.8 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. In 2019, Ms. Bunsri Panyapiamsak has trained TFSR Program, Federation of Accounting Professions.

5.9 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.

Nomination and Remuneration Committee 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 sub-committee consisting of three topics

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

The self assessment of Individual consisting of three topics

4. Structure and qualifications of the Committee.
5. The Board Conference
6. Role and responsibilities of the board.

Company Secretary was assigned to gather the assessment from all directors every year and calculate the assessment result for the Board to acknowledge. The goal is to comment update guidelines for overall improvement.

In 2019, self assessment of the Board of Director, Sub-Committee and Individual resulted an average 93.4%, 92.88 and 85.7% respectively.

Scope of responsibilities

Board of Directors	
1. Mr. Kunchit Singsuwan	Chairman / Independent director
2. Mr. Sombat Leeswadtrakul	Chief Executive Officer
3. Mr. Sangrungs 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 Pornnicha Lertithibaht is the Company Secretary

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 developing the capable to the universal competition.
 2. Monitoring and corporation to Management team or authorized person to perform their duties in accordance with the policy efficiently and effectively for highest benefit of the Company and shareholders with fair to all stakeholders and awareness the Social Responsibilities Environment and Natural Resources.
 3. Arrange Board of Directors meeting at least 3 times a month, and The Annual General Meeting of Shareholder within 4 months since the ending of the Company's fiscal year. Also to attend the Meeting unless there is the force majeure, the Chairman and Company's Secretary should be notified.
 4. Responsible and authority to run their duties according to laws, objectives, and the regulations of the Company as well as the resolution of the shareholder meetings by honestly, carefully.
 5. 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.
 6. 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.
 7. To ensure the processing of Nomination and Collecting person to be the Company's Director are transparently, several qualifies match to the Company's business. To set the guidelines of Directors compensation rate to be at appropriate levels. Appoint, assign, and advise sub-committee or task force to consider or perform in such cases as the Board of Directors see fit.
 8. Monitoring and Improving the Company's Corporate Governance to be more universal for created of Sustainable business value. Supporting and to be role model for employees to perform accordance with CG, Code of Conduct and Anti-Corruption policy.
 9. Set up the Risk management policy and monitoring an internal audit unit to work efficient in internal control system, risk management and reliable financial reports. Appoint the internal audit unit to cooperate with the Audit Committee.
 10. Prepare the Board of Director's Annual Report and be responsible to preparing and disclosing of financial statement to report to the shareholder meetings.
 11. Monitoring and set the assessed the performant of Director every year, evaluation and review their perform in team of 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. 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.
 14. 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.
- 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

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.

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.

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 creditability of the financial reports.

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.

If it's necessary, Audit Committee has an authority to seek the independent opinion from the professional consultant under the Company's expense in order to complete the mission. Audit Committee has duty to report the investigating result to the Company Board of Director in order to make an improvement within the appropriate time determined by Audit Committee.

Nomination & Remuneration Committee

1. Gen. Phairat Phoubon	Chairman of the Committee
2. Mr. Sombat Leeswadtrakul	Member
3. Mrs. Chintana Techamontrikul	Member
4. Mr. Woravit Chailimpamontri	Member

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. To 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 compensation to be accountable to the Company's Board of Directors by 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.

Executive Committee

1. Mr. Sombat Leeswadtrakul	Chairman of Executive Committee
2. Mr. Sangrung Nitipawachon	Executive Committee
3. Ms. Bunsri Panyapiamsak	Executive Committee

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

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

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 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 Kulwarint 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

Report of the Nomination and Remuneration Committee

The Nomination and Remuneration committee consisted of 4 directors with 3 Independent Directors included, conducted the task assigned by the Board of Directors under the responsibilities on the selection, recruitment of the Company's directors and Top Executives. Also determine the appropriate compensation, welfare and other benefits for the directors.

In 2019, The Nomination and Remuneration committee arranged 2 meetings to determine significant issues of their responsibility and forwarded comments and suggestion to the Board of Directors, which are summarized as following

1. To nominated and selected persons to be the Independent Director and replaced the Company's directors whose retired by rotation. Which determine persons who complied with regulations of the Securities and Exchange Commission, Thailand and non prohibited characteristics, also considering based on the criteria of knowledge, accountability, experience to benefit for the Company then proposed to the Board of Director prior the shareholders' meeting.
2. To considered the director's remuneration by comparing with the same level in the same Industry and the Company's performance in the economy situation.
3. To provided an opportunity for shareholders to submit the nomination to the shareholders' meeting approve election. In this regard, Company will be served the qualified person to develop and proficient the good corporate governance.
4. To reviewed the appropriated of directors' performance evaluation forms, the Board of Director assessment, Individual director assessment and sub-committee assessment.

Gen. Phairat Phoubon
Chairman of the Nomination and Remuneration Committee

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 2019 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 http://www.ss.co.th/th/about_th/corporate-governance_th/จรรยาบรรณธุรกิจ/ 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

A part of sustainable social and environmental development is to jointly prevent and combat corruption. Corruption is a major problem and obstacle because not only can it reduce business competitiveness, but also cause damage to society and the nation as a whole. The company has established an anti-corruption policy to be one of the corporate governances and publicized policy details, measures and guidelines to prevent fraud on the company’s website so that all parties and stakeholders are informed of company’s code of ethics and guidelines http://www.ss.co.th/th/about_th/corporate-governance_th/

In 2019, the Board of Committee and management division directed the company to carry out various activities according to the company’s guidelines to prevent frauds including

1. Communicated, publicized, and created manual to show the intention to combat corruption to both insiders and outsiders through activities such as orientations, letter issuing to business partners, and implementing "No Gift Policy".



2. Reviewed the risk of potential corruption, improved procedures and internal work system to control and audit all activities effectively and eliminate the risk of corruption.
3. The Internal Audit Department evaluated activities in the first and second quarter and reported to the audit committee regarding topics of gifts reception, entertainment activities, and coordination with government agencies. There was no result of frauds or corruption in the audit report.
4. Throughout the year 2019, the company and the Board of Directors have not received any complaints or suspicions in regards to corruption.

The company has been certified as a Thai private sector member of the Coalition Against Corruption (CAC) in August 2019.

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:

- Compensation and welfare Management, the Company has the principles of motivation for employee potential on fairly and Labor law with same standard. Evaluated job criteria that is appropriate for duties and responsibility.

- 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. Year 2019 there were 14 courses 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. There were more than 145 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.

- Occupational Health and Safety Policy was implemented and announced since October 2014. The policy has been one of the basic training topics that all employees must learn. With the company's production lines and its heavy use of machinery, in the year 2019 the company and its subsidiaries monitored the rate of work-related accidents and work injuries, resulting in total of 12 cases (accounted for 405,907.17 hours lost or approximately 143 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.

Dated 15 October 2014

- Get together parties between the management and workers/ staffs of 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 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.



Social activities strengthen relationships and bridge the gap between the management team and employees of the company and its subsidiaries. The activities are categorized into two type;

1) Monthly gatherings, including celebrating birthdays, giving gifts for a birth of a baby, weddings, etc.;

2) Annual activities such as sport competitions between employees and the community to build relationships and enhance the health of employees and the community or new year party to give out rewards for the dedication that the employees have given the company throughout the 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 2019, the outcome of the random survey on customer's satisfaction of a sample of 686 customers from all branches including Had Yai, Bangkok and Korat achieve average satisfaction score of 84.7%. The customers rated their interests on three main issues: Quality of products with 44.46%, reasonable price 60.05% and prompt delivery of goods 49.7%.

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.

In 2019, a renewable energy project, 996-kilowatt solar rooftop in Hatyai and Korat branches, saved about 30 percent of electricity cost compared to the cost before installation of solar roof (depending on the weather conditions of the sky). It reduced carbon dioxide emission by 101 tons per month.



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 ie. 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. Repairing roads in the community to improve traffic safety.



- * 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 Directors Meeting No. 1/2020 with three audits attending on February 26, 2020, the Board of Directors evaluated the internal control system by assessing 5 aspects which were internal control, risk assessment, operational control, information and communication systems, and follow-up system.

The Board of Directors agreed that the internal control system of the company is sufficient and effective to business operations and to achieve the goals, objectives, laws and relevant requirements. The company has provided sufficient personnel to efficiently work with the system as well as having an internal control system for monitoring and overseeing the operations of the company and its subsidiaries. This will allow the company to protect the company and its subsidiaries' assets from being abused by directors, executives, or wrong persons. The internal control system also provides assurance that all transactions are made legally according to the general standard and transparently, and ensures that conflict of interests will not be an issue. For risk management, the company analyzed and assessed risks in each area, both from internal factors and external factors that may affect the achievement of objectives and developed measures to prevent and manage those risks to an acceptable level.

Overall, the independent committee and the audit committee shared similar opinions to the opinions of the board of directors.

In addition, the company's certified auditor has evaluated the efficiency of the internal control system and audited the financial statements of the company and its subsidiaries for the year ending, 31 December 2019. There were no defects in the internal control system that would have a significant impact on the company and its subsidiaries' financial statements.

Miss Karawan Maitreepirom

Age 59 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 17 February 2020)

67,500 shares

Family Relationship with the other directors

- None -

Related transaction

In every quarter, the internal audit department gathers information about business activities and transactions between the company and all companies involved. The information will be reported to the audit committee and board of directors to consider the reasonability and appropriateness by general trading terms and standards. Transactions should be conducted in professional fashion that aligns with company's policy with no conflicts of interest which in the fiscal year 2019 ending on December 31, 2019, transaction activities are summarized as followed.

Normal business transaction of steel product

	Nature of Relationship	Nature of Transaction	Value (Bt.million)
Neastern Steel Co., Ltd.	The subsidiary,	The Company has sold the finished products such as square tube , round tube for maintenance	4.24
		- accounts receivable -	0.00
Grand Steel Pipe Co.,Ltd	The subsidiary,	The Company has sold the raw material for production	222.85
		- accounts receivable -	103.38
United Steel Pipe Co.,Ltd.	Group of Executive management has hold the company's shares.	The Company has sold the raw material for production	155.32
		- accounts receivable -	41.57
		The Company has bought the finished products such as galvanized steel pipe square and round tube for sell out.	361.35
		- accounts payable -	11.50
City Metal Co.,Ltd.	Group of Executive management has hold the company's shares.	The Company has bought the finished products such as square and round tube for sell out.	342.66
		- Accounts payable -	0.0
Panich Swad Co.,Ltd.	Group of Executive management has hold the Company's share.	The Company has sold the raw material for production	251.85
		- accounts receivable -	0.0

Equipment and 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.	0.09
		- accounts payable -	0.01
		The Company has sold Welding Rods	0.01
		- accounts receivable -	0.00
Kwangfha Lohakit	Director is the close relationship with the company's managment	Company has bought some facilities for production, such Steel welding mark, brush paint, Stone grinding, etc.	0.05
		- accounts payable-	0.00
		The Company has sold Welding Rods	0.01
		- accounts receivable -	0.00

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.	5.04
		- accounts payable-	0.03

Loan

	Nature of Relationship	Nature of Transaction	Value (Bt.million)
Mega Trans and Logis Co.,Ltd.	The subsidiary	Working Capital	32.80
		- Interest receivable	0.00
Neastern Steel Co., Ltd.	The subsidiary	Working Capital	5.00
		- Interest receivable	0.00

■ 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	68.29
		- accounts payable-	1.44
Neastern Steel Co., Ltd	The company's subsidiary	Manufacturing and sales of steel pipe, steel plates and L-Channel etc.	89.93
		- accounts payable-	8.65

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 2019. 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 2019, 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 2019 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 2020 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 2019, 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 2019, the company recorded a net profit of 133.28 million baht, an increase of 27.9 million baht or 26.48 percent compared to the net profit in 2018. The increase of net profit is caused by the decrease of cost of goods from the warehouse in the previous year.

Revenue from Sales

Total sales revenue in 2019 is 5,396.28 million baht, decreased by 0.98% with the sales volume increased by 9.82% while the average selling price decreased by 9.83%. The company's sales revenue comes from 2 main sources which are steel processing, approximately 70.0% and from steel procurement, approximately 30.0%. Revenue from the steel processing business is 3,697 million baht, decreased by 132.66 million or 3.48%, while revenue from procurement increased 4.41%.

For the proportion of sales, both from within the country and from subsidiaries in Laos PDR from the head office branch (southern region), increased by 13.81%. Korat branch (northeast region) increased by 10.39% and Bangkok branch's sales volume decreased by 11.23%. For subsidiaries in Laos, the sales proportion, started in 2019, increased by 9.43%.

Cost of Sales

In 2019, the company had a total cost of sales of 4,989.97 million baht or 92.47% of sales revenue, decreased by 2.00% compared to the year 2018 due to the decline of average steel price. Cost of sales can be divided into cost from steel processing (accounting for approximately 65-70%), most of which are raw material costs such as hot-rolled coils whose price varies according to global steel prices, and the other is costs from transportation, direct labor, and production.

Cost of sales from the steel procurement business accounted for approximately 25-30% of the total cost of sales. Cost of sales varies according to the price of steel products that the company sells.

Gross Profit

The company's gross profit amounted 406.31 million baht, representing a gross margin of 7.53%, increased from 2018 with 6.56%. This is due to the costs of raw material used in production that were below the average selling price in the market resulting in higher profitability.

Operating Expenses

Major operating expenses of the company included expenses related to transportation, fuel and promotions. Since the sales volume of the year 2019 increased by 9.82 percent from the previous year, it resulted in the cost of sales of 144.14 million baht, an increase of 9.67% from the year 2018.

While administrative expenses amounted 99.70 million baht, representing 1.85% of sales revenue. The administrative expenses included staff salary, directors' remuneration, bonuses and employee benefits (According to the accounting standard no. 19) including provision for doubtful accounts.

Loss from exchange rate amounted 10.24 million baht, equivalent to 0.19% of total sales revenue. The loss was a result of debt repayment and payment of goods in foreign currencies.

Financial cost - interest expense

The company has interest expenses of 11.41 million baht, a decrease of 27.88% from 2018. The decrease of interest expenses is resulted from the reduction of repayment and loans from financial institutions during the period.

Financial Status

Assets

The company has total assets of 1,766.51 million baht, a decrease of 4.90% compared to the end of 2018. The company's current assets totaled 1,187.55 million baht or 67.23% of total assets, consisting of inventory of 557.25 million baht, a decrease of 11.83% from 2018, and deposit for goods of 141.09 million baht, a 30.50% decrease for non-current assets of 578.96 million baht. Non-current assets decreased 11.12 million baht from 2018 from bank deposits used as bond.

This resulted the return on assets in 2019 to be 7.36%, an increase from 2018 which was 5.57%.

Inventories

The company has net inventory in the amount of 557.25 million baht, decreased by 11.83% from 2018, in which the company stored inventories in the form of raw materials, products in production, processed products and transporting products.

Due to the steel price situation in 2019, an increase at the beginning and at the end of the year and a decrease during the year, it resulted the allowance of the cost of goods to be higher than the net value received. At the end of the year 2019, it decreased to 9.98 million baht (see more details in the topic of "The loss from the cost of goods is higher than the value received"), with an average product selling period of approximately 43 days. The company has a policy to manage inventories to be effective in accordance with the sales volume by considering the direction of the movement of product prices and the demands combined.

Trade account and note receivables - net

In the year 2019, the company has account receivable in the amount of 349.07 million baht, equivalent to 19.76% from total asset. In 2019, account receivable decreased by 4.81 million baht or 1.36% comparing to 2018. The company has set lower doubtful accounts as compared to year 2018.

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.

	Y2017		Y2018		Y2019	
	Million Bt.	%	Million Bt.	%	Million Bt.	%
Trade accounts receivable - general customers						
Not yet due	254.78	77.99%	298.69	82.06%	278.01	77.73%
Past due						
Less than 3 months	59.64	18.26%	54.60	15.00%	63.20	17.67%
3 - 6 months	1.94	0.59%	0.23	0.06%	6.13	1.71%
6 - 12 months	1.90	0.58%	0.50	0.14%	0.68	0.19%
Over 12 months	8.41	2.58%	9.98	2.74%	9.67	2.70%
Total	326.67	100.0%	364.00	100.0%	357.69	100.0%
Less Allowance for doubtful accounts	(10.30)	(3.15%)	(10.12)	(2.78%)	(8.62)	(2.41%)
Trade accounts receivable - general customers and related companies - net	316.37	96.85%	353.88	97.22%	349.07	97.59%

The Company has criteria in place to analyze aging 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

Property, plant and equipment – net at the end of the year 2019 was 552.03 million baht, an increase of 6.02 million baht from 2018 or 1.10% due to the expansion of buildings and equipment of the company and its subsidiaries.

Liquidity

For the year 2019, the company had net cash received from operating activities amounting 333.63 million baht, which came from the company's net profit before corporate income tax in the amount of 158.49 million baht and adjusted net profit to cash receivable (paid) from operations, which is mostly due to depreciation (42.22 million baht). This resulted in operating profit, before changes in operating assets and liabilities, to amount 206.00 million baht. The changes in operating assets and liabilities are resulted from the decrease in account receivables (6.34 million baht), in deposit for goods (61.91 million baht), and in interests payable (10.79 million baht and corporate income tax (32.24 million baht). The company had net cash used from investment activities in the amount of 31.32 million baht and in financing activities of 232.55 million baht, from loans from financial institutions in the amount of 169.54 million baht. At the same time, the company paid dividends of 63.00 million baht resulting in the amount cash and cash equivalents

of the year 2019 to increase by 67.02 million baht. By 31 December 2019, the company's cash and cash equivalents amounted 131.85 million baht.

Because the company used working capital to support increased sales volumes and expenditures relating to investments, the ratio of liquidity in the year 2019 is approximately 3.39 times and the quick liquidity ratio is at approximately 1.37 times.

Capital structure

The financing structure in 2017-2019 shows the ratio of liabilities to shareholders' equity of 0.51 times, 0.41 times and 0.28 times respectively. Further the past performance, such ratio indicates that the company has strong financial position.

Liabilities

As of 2019, the company has total liabilities of 388.84 million baht consisting of current liabilities of 350.38 million baht and non-current liabilities of 38.47 million baht. Total liabilities decreased Bt. 154.42 million or 28.42% when compare the previous year, due to the short term loan from financial institutions and Accured Income tax.

Shareholders' equity

As of end of 2019, the company has shareholders' equity of 1,377.66 million or 77.99% of total assets. The return on equity is 9.67% 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 2017-2019 was 12.36%, 6.56% and 7.53% respectively.

Audit Fee

In 2019, The Company and its subsidiary paid for audit fee to the auditor.

Company	Audit Fee (Baht)	Auditor
2S Metal Public Company Limited	1,845,000	Grant Thornton Limited
Neastern Steel Co., Ltd.,	335,000	Grant Thornton Limited
Mega Trans and Logis Co., Ltd	245,000	Grant Thornton Limited
Grand Steel Pipe Co.,Ltd.	117,845.75	TBS Accounting Consultant Service Co., Ltd

Non-audit fee

The Company and its subsidiary paid for accommodation and travel expenses ot the auditor of Baht 164,023 and Baht 36,674 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 2019, ended on 31, December 2019 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 and separate financial statements of 2S Metal Public Company Limited and its subsidiaries (the "Group"), which comprise the consolidated and separate statement of financial position as at 31 December 2019, the consolidated and separate statements of profit and loss and other comprehensive income, consolidated and separate 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.

In my opinion, the accompanying consolidated and separate financial statements present fairly in all material respects, the consolidated and separate financial position of 2S Metal Public Company Limited and its subsidiaries as at 31 December 2019, and the consolidated and 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 Consolidated and Separate Financial Statements section of my report. I am independent of the Group in accordance with the Federation of Accounting Professions' Code of Ethics for Professional Accountants 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, are of most significance in my audit of the consolidated and separate financial statements of the current year. These matters were addressed in the context of my audit of the consolidated and separate financial statements as a whole, and in forming my opinion thereon, I do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in the audit
------------------	---

Impairment of investment in subsidiaries and goodwill

As at 31 December 2019, 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.

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.

Refer to Notes 4.21, 11 and 17 which provide details of the impairment testing performed by management.

My audit procedures included:

- 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.

Inventories

As at 31 December 2019, the Group and the Company have ending inventories of Baht 557.25 million and Baht 490.73 million, respectively.

Inventories are carried in the financial statements at the lower of cost and net realizable value. The Group's management has estimated the net realizable value from the estimated selling price after the deduction of direct costs.

However, steel prices are highly volatile depending on the demand and supply in the global market. As such the Group's managements have to highly use judgment in determining the selling prices of products and the determination of the net realizable value of inventories for preparation of the financial statements.

Refer to Notes 4.12, 4.21 and 9 which provides details of the valuation of inventory.

My audit procedures included:

- Obtaining an understanding of the process to determine the net realizable value of inventories through inquiry of the Company's management and the tests of the current market prices of inventories and the purchase and sale commitments that may exist.
- 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 realizable 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 consolidated and separate 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 consolidated and separate 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 consolidated and separate 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 consolidated and separate 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 is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional 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 consolidated and separate financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

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

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

From the matters communicated with those charged with governance, I determine those matters that are of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matter. I describe this matter 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
26 February 2020

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

		(Unit : Thousand Baht)			
		Consolidated F/S		Separate F/S	
	Notes	31 December 2019	31 December 2018	31 December 2019	31 December 2018
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	7, 30	131,850	64,827	91,549	48,123
Trade and other accounts receivable - net	6, 8, 30	349,077	353,921	444,777	437,327
Inventories - net	9	557,246	632,010	490,734	553,684
Deposits for purchase of goods		141,092	203,000	141,092	203,000
Short-term loans and accrued interest receivable - subsidiary	6	-	-	17,416	21,344
Refundable value added tax		257	4,707	-	4,385
Refundable income tax		2,350	2,750	298	-
Other current assets		5,673	6,164	2,204	2,807
Total Current Assets		1,187,545	1,267,379	1,188,070	1,270,670
NON-CURRENT ASSETS					
Restricted deposits with banks	10, 30	1,052	17,345	1,052	17,345
Investments in subsidiaries	11	-	-	216,770	216,770
Long-term loans receivable - subsidiary	6	-	-	15,386	11,751
Property, plant and equipment - net	12	552,032	546,006	256,336	265,004
Investment property - net	13	1,946	2,283	-	-
Prepaid land rental expense - net	6, 14	4,003	4,876	824	1,226
Leasehold rights - net	15	2,254	2,430	-	-
Intangible assets - net	16	1,647	1,110	1,454	1,027
Goodwill	17	15,086	15,086	-	-
Other non-current assets		941	941	938	938
Total Non-Current Assets		578,961	590,077	492,760	514,061
TOTAL ASSETS		1,766,506	1,857,456	1,680,830	1,784,731

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

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

(Unit : Thousand Baht)

		Consolidated F/S		Separate F/S	
	Notes	31 December 2019	31 December 2018	31 December 2019	31 December 2018
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES					
Short-term loans from financial institutions	18, 30	282,234	451,770	282,234	451,770
Short-term loans and accrued interest payable - subsidiary	6	-	-	5,000	8,503
Trade and other accounts payable	6, 19, 30	28,605	19,936	34,772	24,831
Current portion of liabilities under finance lease agreements	30	-	7	-	7
Accrued income tax		-	1,711	-	1,711
Value added tax payable		2,481	2,377	1,149	-
Accrued expenses	20	30,156	29,600	24,674	24,497
Other current liabilities		6,904	4,937	5,921	3,137
Total Current Liabilities	0	350,380	510,338	353,750	514,456
NON-CURRENT LIABILITIES					
Employee benefits obligation	6, 21	20,625	10,447	16,925	9,287
Deferred tax liabilities - net	23	17,836	22,485	6,013	9,225
Total Non-Current Liabilities		38,461	32,932	22,938	18,512
TOTAL LIABILITIES		388,841	543,270	376,688	532,968
SHAREHOLDERS' EQUITY					
Share capital - common share at Baht 1 par value					
- Registered 549,999,244 shares		550,000	550,000	550,000	550,000
- Issued and paid - up 449,999,095 shares (2018 : 449,998,800 shares)		449,999	449,999	449,999	449,999
Premium on share capital		121,762	121,761	121,762	121,761
Retained earnings					
- Appropriated for legal reserve	25.1	45,000	45,000	45,000	45,000
- Unappropriated		735,949	669,620	642,999	590,621
Other components of shareholders' equity		26,840	29,505	44,382	44,382
Shareholders' equity of the Company		1,379,550	1,315,885	1,304,142	1,251,763
Non-controlling interests in subsidiaries		(1,885)	(1,699)	-	-
NET SHAREHOLDERS' EQUITY	0	1,377,665	1,314,186	1,304,142	1,251,763
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,766,506	1,857,456	1,680,830	1,784,731

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

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กรรมการ

(นายสมบัติ ลีสวัสดิ์ตระกูล)

หมายเหตุประกอบงบการเงินเป็นส่วนหนึ่งของการงบการเงินนี้

กรรมการ

(นายแสงรุ่ง นิตภาวชน)

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	2019	2018	2019	2018
REVENUES					
Revenue from sales		5,281,847	5,346,792	5,256,993	5,360,216
Revenue from sales of by-product		114,427	102,718	109,306	96,339
Total revenues	6, 27	5,396,274	5,449,510	5,366,299	5,456,555
COSTS OF SALES					
Costs of sales	6, 9, 26	(4,989,967)	(5,092,018)	(4,999,210)	(5,127,146)
Gross profit		406,307	357,492	367,089	329,409
Interest income	6, 27	1,478	1,588	2,764	2,995
Reversal of allowance for impairment of investment in subsidiary	11	-	-	-	10,503
Other income	6	16,188	11,883	18,681	11,141
Profit before expenses		423,973	370,963	388,534	354,048
Selling expenses	6	(144,144)	(131,433)	(147,318)	(131,035)
Administrative expenses	6	(99,697)	(93,757)	(80,245)	(76,586)
Loss from exchange rate		(10,237)	(638)	(6,362)	(1,512)
Total expenses	26, 27	(254,078)	(225,828)	(233,925)	(209,133)
Profit before finance costs		169,895	145,135	154,609	144,915
Finance costs	6, 26	(11,408)	(15,825)	(11,633)	(16,394)
Profit before income tax		158,487	129,310	142,976	128,521
Income tax expense	22, 23	(25,212)	(23,929)	(24,857)	(24,297)
Profit for the year		133,275	105,381	118,119	104,224
OTHER COMPREHENSIVE INCOME					
Items to be reclassified subsequently to profit or loss					
Actuarial loss - net of tax		(4,053)	-	(2,741)	-
Translation adjustment for foreign currency financial statement - net of tax		(2,744)	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		126,478	105,381	115,378	104,224
ALLOCATION OF PROFIT FOR THE YEAR					
Portion of the Company's shareholders		133,382	105,547	118,119	104,224
Portion of non-controlling interests		(107)	(166)	-	-
		133,275	105,381	118,119	104,224
ALLOCATION OF TOTAL COMPREHENSIVE INCOME					
Portion of the Company's shareholders		126,664	105,547	115,378	104,224
Portion of non-controlling interests	5	(186)	(166)	-	-
		126,478	105,381	115,378	104,224
BASIC EARNINGS PER SHARE					
Profit of the Company's shareholders (Baht : Share)		0.30	0.23	0.26	0.23
Weighted average number of common shares (Unit : Thousand 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												
	Notes	Paid - up Share Capital	Premium on Share capital	Retained earnings		Other components of equity				Shareholders' equity of the Company	Non- controlling interests	Total
				Legal Reserve	Unappropriated	Surplus on revaluation of land	Translation adjustment for foreign currency financial statements	Discount on dilution of investment in subsidiaries company	Total Other components of equity			
Consolidated F/S												
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	25.2	50,000	-	-	(50,000)	-	-	-	-	-	-	-
Cash dividend paid	25.2	-	-	-	(71,500)	-	-	-	-	(71,500)	-	(71,500)
Total transactions with shareholders		50,000	-	5,000	(126,500)	-	-	-	-	(71,500)	-	(71,500)
Comprehensive income for the year		-	-	-	105,547	-	-	-	-	105,547	(166)	105,381
Total comprehensive income 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
Balance as at 1 January 2019												
		449,999	121,761	45,000	669,620	59,322	-	(29,817)	29,505	1,315,885	(1,699)	1,314,186
Changes in shareholders' equity												
Warrant conversion to common share	24	-	1	-	-	-	-	-	-	1	-	1
Cash dividend paid	25.2	-	-	-	(63,000)	-	-	-	-	(63,000)	-	(63,000)
Total transactions with shareholders		-	1	-	(63,000)	-	-	-	-	(62,999)	-	(62,999)
Comprehensive income for the year		-	-	-	129,329	-	(2,665)	-	(2,665)	126,664	(186)	126,478
Total comprehensive income for the year		-	-	-	129,329	-	(2,665)	-	(2,665)	126,664	(186)	126,478
Balance as at 31 December 2019												
		449,999	121,762	45,000	735,949	59,322	(2,665)	(29,817)	26,840	1,379,550	(1,885)	1,377,665

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

**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER**

(Unit : Thousand Baht)

	Notes	Paid - up Share Capital	Premium on Share capital	Retained earnings		Other components of equity	Total
				Legal Reserve	Unappropriated	Other comprehensive income	
						Surplus on revaluation of land	
Separate F/S							
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	25.2	50,000	-	-	(50,000)	-	-
Cash dividend paid	25.2	-	-	-	(71,500)	-	(71,500)
Total transactions with shareholders		50,000	-	5,000	(126,500)	-	(71,500)
Comprehensive income for the year		-	-	-	104,224	-	104,224
Total comprehensive income 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
Balance as at 1 January 2019		449,999	121,761	45,000	590,621	44,382	1,251,763
Changes in shareholders' equity							
Warrant conversion to common share	24	-	1	-	-	-	1
Cash dividend paid	25.2	-	-	-	(63,000)	-	(63,000)
Total transactions with shareholders		-	1	-	(63,000)	-	(62,999)
Comprehensive income for the year		-	-	-	115,378	-	115,378
Total comprehensive income for the year		-	-	-	115,378	-	115,378
Balance as at 31 December 2019		449,999	121,762	45,000	642,999	44,382	1,304,142

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	
	2019	2018	2019	2018
Cash flows from operating activities				
Profit before income tax	158,487	129,310	142,976	128,521
Adjustments to reconcile profit before income tax to net cash provided from operating activities:				
Provision (reversal of allowance) for doubtful debts	(1,497)	(184)	(417)	141
Provision (reversal of allowance) for decline value of invent	(9,982)	12,522	(9,982)	12,522
Reversal of allowance for impairment of investment in sub:	-	-	-	(10,503)
Depreciation	42,223	38,084	15,705	13,012
Loss (gain) on disposal and written off of fixed assets	(439)	(1,025)	28	(84)
Amortization	2,165	2,238	1,112	1,243
Interest income	(1,478)	(1,587)	(2,764)	(2,994)
Interest expense	11,408	15,825	11,633	16,394
Provision for post employee benefits obligation	5,112	961	4,212	867
Cash flows provided from operations before changes in operating assets and liabilities	205,999	196,144	162,503	159,119
Decrease (increase) in operating assets:				
Trade and other accounts receivable	6,341	(37,293)	(7,033)	(65,942)
Inventories	84,746	116,065	72,932	143,474
Deposits for purchase of goods	61,908	2,672	61,908	2,672
Refundable tax	6,983	15,554	4,385	14,751
Other current assets	(1)	(310)	568	(777)
Other non-current assets	-	400	-	(501)
Increase (decrease) in operating liabilities:				
Trade and other accounts payable	8,669	(7,941)	9,941	(8,433)
Accrued expenses	(58)	(7,023)	(433)	(6,182)
Value added tax payable	104	(5,234)	1,149	(7,611)
Other current liabilities	1,967	1,347	2,784	435
Cash received from operating activities	376,658	274,381	308,704	231,005
Interest payment	(10,794)	(15,859)	(11,023)	(16,427)
Income tax paid	(32,235)	(65,185)	(29,393)	(64,240)
Net cash provided from operating activities	333,629	193,337	268,288	150,338

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	
	2019	2018	2019	2018
Cash flows from investing activities				
Interest received	1,513	1,610	2,799	3,012
Decrease in restricted deposits with banks	16,293	-	16,293	-
Acquisition of building and equipment	(48,647)	(85,921)	(7,102)	(53,694)
Sale of equipment	837	1,285	37	160
Addition to intangible assets	(1,316)	(24)	(1,137)	(9)
Receipt of repayment of loans to subsidiary	-	-	2,693	7,124
Short-term loan granted to subsidiary	-	-	(2,400)	(2,000)
Net cash provided from (used in) investing activities	(31,320)	(83,050)	11,183	(45,407)
Cash flows from financing activities				
Decrease in short-term loans from financial institutions	(169,536)	(46,396)	(169,536)	(46,396)
Repayment of short-term loans from subsidiary	-	-	(13,512)	(13,029)
Proceeds from short-term loans from subsidiary	-	-	10,009	10,029
Repayment for liabilities under finance lease agreement	(7)	(196)	(7)	(196)
Proceeds from conversion of warrants to common shares	1	-	1	-
Cash dividend payment	(63,000)	(71,500)	(63,000)	(71,500)
Net cash used in financing activities	(232,542)	(118,092)	(236,045)	(121,092)
Translation adjustment for foreign currency financial statement	(2,744)	-	-	-
Net increase (decrease) in cash and cash equivalents - net	67,023	(7,805)	43,426	(16,161)
Cash and cash equivalents at beginning of year	64,827	72,632	48,123	64,284
Cash and cash equivalents at end of year	131,850	64,827	91,549	48,123
Supplemental disclosure for cash flows information				
Non - cash item :				
Issuance of stock dividend	-	50,000	-	50,000
Payables for purchase of assets	-	7,980	-	-

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

2S METAL PUBLIC COMPANY LIMITED AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2019 AND 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 following 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 Lao People's Democratic Republic, 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 a public limited company incorporated and domiciled in Thailand. The address of its registered business office 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 Thai Securities and Exchange Commission under the Securities and Exchange Act B.E. 2535. These financial statements are officially prepared in the Thai language. The translation of these financial statements to another language must conform to 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.

<i>Items</i>	<i>Measurement bases</i>
Land	Fair value
Net defined benefit liability	Present value of the defined benefit obligation as explained in Note 21

3. CHANGES IN ACCOUNTING POLICIES

3.1 New and revised financial reporting standards, interpretations and guidance
During the year, The Federation of Accounting Professions has revised and issued Thai Financial Reporting Standards (TFRS), interpretations and guidance as follow:

3.1.1 Amendments and interpretations to the Standards that are effective from 1 January 2019

Thai Financial Reporting Standard No.15 “Revenue from Contract with Customers” (TFRS 15)

Thai Financial Reporting Standard No.15 (TFRS 15) presents new requirements for the recognition of revenue, replacing Thai Accounting Standard No. 18 “Revenue” (“TAS 18”), Thai Accounting Standard No. 11 “Construction Contracts” (“TAS 11”), and several revenue-related Interpretations.

The Group has adopted TFRS 15 Revenue from Contract with Customers and disclosed the detail of related accounting policies in Note 4.

The Group has assessed the impact of initial adoption of TFRS by using the cumulative effect method, taking into account the effect of initial applying this standard only to contracts that were not expired before 1 January 2019. The impact on retained earnings as at 1 January 2019 is not material, therefore, the Group does not adjust the retained earnings as at 1 January 2019.

3.1.2 Amendments and interpretations to the Standards that are effective from 1 January 2020

Thai Financial Reporting Standard No.16 “Leases” (TFRS 16)

TFRS 16 describes the new principles for the recognition of leases, replacing Thai Accounting Standard No. 17 “Leases”, and several leases-related Interpretations. The new standard defines the requirements for leases to be recorded in the statement of financial position in the form of right-of-use asset with corresponding lease liability, except short-term leases agreement which period is less than 12 months or with low value of asset, and provides additional guidance in many areas which are limited in detail under existing Thai Financial Reporting Standards.

Under the Thai Financial Reporting Standard No. 16 “Leases”, no significant changes to the accounting for lessors.

The Group will adopt this new standard when it becomes effective. The Group’s management has assessed that this will impact the Group’s financial statements. Therefore, the Group must recognize the right-of-use assets with corresponding lease liabilities for the assets currently treated as operating leases and must record the depreciation from the right-of-use assets and interest expense on lease liabilities instead of expenses from lease agreements. The Group’s management is in the process to assess the final impact and adjusting approaches for the initial application for this TFRS.

Thai Financial Reporting Standards related to Financial instruments

Thai Financial Reporting Standard No. 9 “Financial instruments” (TFRS 9) and group of Thai Financial Reporting standards related to financial instruments, prescribe new requirements on the classification and measurement of financial assets and financial liabilities, impairment methodology and hedge accounting, replacing the accounting standards, guidance and interpretations relevant to financial instruments which are currently effective.

The Group’s management has assessed the impact on the financial statements when adoption these new standards as follow:

- Impairment – Financial assets and contract assets

The Group shall assess impairment of financial assets and contract assets from consideration of the lifetime expected credit losses on the financial instruments which is not necessary to wait for an indicator or credit event to have occurred, and considerable judgement about how changes in economic factors affect expected credit losses, which will be determined on a probability-weighted basis. However, the new impairment model will apply only to financial assets measured at amortized cost and fair value through other comprehensive income (FVOCI).

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 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 Notes 1 and 27).

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 when a customer obtains control of the goods or services in an amount that reflects the consideration to which the Group expects to be entitled, excluding those amounts collected on behalf of third parties, value added tax and is after deduction of any trade discounts and volume rebates.

Sale of steel products and by-product

Revenue from sale of steel products and by-products are recognized when a customer obtains control of the goods, generally on delivery of the goods to the customers. For contracts that permit the customers to return the goods, revenue is recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Therefore, the amount of revenue recognized is adjusted for estimated returns, which are estimated based on the historical data.

Interest and other income

Interest and other income are 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 over 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 restriction of use) that are readily convertible to cash with insignificant risk of change in value.

Restricted deposits with banks are presented under non-current assets in the statement of financial position.

4.11 Accounts receivable

A receivable is recognized when the Group has an unconditional right to receive consideration.

Accounts receivable is presented at the net realizable value. The Group record allowances for doubtful accounts from accounts receivable which might be uncollectible. Allowance for doubtful accounts is provided for based on collection experience and payment ability of the debtors at the end of year.

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 of independent 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 as 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 for 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 Group 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 Group is the lessor

Assets leased out under operating leases are included in investment property 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 shareholders' equity include the following:

Other comprehensive income

- revaluation of land reserve – comprises gains and losses from the revaluation of land (see Note 4.14)
- translation adjustment for foreign currency financial statement – comprises gains and losses from the translation of foreign operations entity with a functional currency other than Thai Baht (see Note 4.4)
- discount on dilution of investment in subsidiaries company - comprises dilution loss arose on shares issued by the subsidiaries and sold to third parties.

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 of shareholders 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 trusted 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 various 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 carryforwards 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 estimates of the defined employee benefit obligation based on number of critical underlying assumptions such as standard rates of inflation, mortality rate, 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 21).

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

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
		2019	2018	
Neastern Steel Co., Ltd.	Thai	99.99	99.99	Manufacturing 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 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.

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, 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 2019 and 2018 are as follows:

	Consolidated F/S		(Unit: Thousand Baht) Separate F/S	
	2019	2018	2019	2018
Trade and other accounts receivable				
Subsidiary companies	-	-	103,382	94,534
Related company	41,570	43,293	41,570	43,293
Total	41,570	43,293	144,952	137,827
Short-term loans and interest receivable				
Subsidiary company	-	-	17,416	21,344
Long-term loans receivable				
Subsidiary company	-	-	15,386	11,751
Total loans and interest receivable	-	-	32,802	33,095
Prepaid land rental expense				
Related person	-	2,730	-	-

Significant movements in loans to subsidiary and accrued interest income for the year ended 31 December 2019 are as follows:

	1 January 2019	During the year		31 December 2019
		Increase	Decrease	
Subsidiary company	33,095	2,400	(2,693)	32,802

(Unit: Thousand Baht)

Short-term loans to subsidiary in Thailand have been granted without collateral and bear interest at MRR per annum and are repayable on demand.

Long-term loans to the subsidiary in Thailand have been granted without collateral and bear interest at 4.00 percent per annum. The interest is payable monthly while the principal amount is due at the end of year 2021.

	Consolidated F/S		Separate F/S	
	2019	2018	2019	2018
Short-term loans and accrued interest payable				
Subsidiary company	-	-	5,000	8,503
Trade and other accounts payable				
Subsidiary companies	-	-	10,121	7,966
Related parties	11,510	7,094	11,510	7,094
Total	11,510	7,094	21,631	15,060
Employee benefits obligation				
Key management personnel				
- Post-employment benefits	12,656	6,578	9,973	5,798

(Unit: Thousand Baht)

Significant movements in loan and accrued interest payable to subsidiary for the year ended 31 December 2019 are as follows:

	1 January 2019	During the year		31 December 2019
		Increase	Decrease	
Subsidiary company	8,503	10,009	(13,512)	5,000

(Unit: Thousand Baht)

Loans from subsidiary in Thailand have been obtained without collateral and bears interest at rate of 3.40 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 2019 and 2018 are as follows:

Transaction	(Unit: Thousand Baht)			
	Consolidated F/S		Separate F/S	
	For the years ended 31 December			
	2019	2018	2019	2018
Revenue from sales				
Related parties	407,220	419,244	407,220	419,244
Subsidiary company	-	-	227,123	261,466
Total	407,220	419,244	634,343	680,690

(Unit: Thousand Baht)

Transaction	(Unit: Thousand Baht)			
	Consolidated F/S		Separate F/S	
	For the years ended 31 December			
	2019	2018	2019	2018
Rental assets and other service income				
Subsidiary company	-	-	260	324
Interest income				
Subsidiary company	-	-	1,315	1,472
Purchase of goods and service				
Related parties	704,138	717,490	704,138	717,490
Manufacturing cost				
Subsidiary company	-	-	89,931	82,734
Transportation service				
Subsidiary company	-	-	67,991	64,441
Rental assets and other service expenses				
Related parties	1,200	1,200	1,200	1,200
Related person	-	102	-	-
Subsidiary company	-	-	5,341	5,348
Total	1,200	1,302	6,541	6,548
Interest expense				
Subsidiary company	-	-	225	569
Key management personnel compensation				
Short-term employee benefits	30,191	29,178	23,373	21,905
Post-employment benefits	4,185	582	2,297	521
Total	34,376	29,760	25,670	22,426

As at 31 December 2019 and 2018, 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	
	2019	2018	2019	2018
Cash on hand	621	79	44	24
Cash at banks				
- Current account	59,922	27,876	29,895	18,923
- Saving account	71,307	36,872	61,610	29,176
Total	131,850	64,827	91,549	48,123

8. TRADE AND OTHER ACCOUNTS RECEIVABLE – NET

	Consolidated F/S		(Unit: Thousand Baht) Separate F/S	
	2019	2018	2019	2018
Trade accounts receivable – general customers - net	307,497	310,583	299,825	299,500
Trade accounts receivable – related companies	41,570	43,293	144,952	137,827
Total	349,067	353,876	444,777	437,327
Other accounts receivable – general customers	10	45	-	-
Total	10	45	-	-
Total trade and other accounts receivable - net	349,077	353,921	444,777	437,327

Aging analysis of the trade accounts receivable - general customers and related companies as at 31 December 2019 and 2018 are as follows:

	Consolidated F/S		(Unit: Thousand Baht) Separate F/S	
	2019	2018	2019	2018
<u>Trade accounts receivable - general customers and related companies</u>				
Not yet due	278,005	298,691	335,026	378,462
Past due				
Less than 3 months	63,204	54,598	101,893	58,278
3 - 6 months	6,135	228	6,135	228
6 - 12 months	678	500	678	500
Over 12 months	9,668	9,979	9,532	8,763
Total	357,690	363,996	453,264	446,231
<u>Less</u> Allowance for doubtful accounts	(8,623)	(10,120)	(8,487)	(8,904)
Trade accounts receivable - general customers and related companies - net	349,067	353,876	444,777	437,327

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

	Consolidated F/S		(Unit : Thousand Baht) Separate F/S	
	2019	2018	2019	2018
Balance as at 1 January	(10,120)	(10,304)	(8,904)	(8,763)
<u>Add</u> Allowance for doubtful accounts during the year	(983)	(2,014)	(983)	(2,014)
<u>Less</u> Reversal of allowance for doubtful accounts	2,480	2,198	1,400	1,873
Balance as at 31 December	(8,623)	(10,120)	(8,487)	(8,904)

9. INVENTORIES – NET

	(Unit : Thousand Baht)	
	Consolidated F/S	Separate F/S
	2019	2018
Raw materials	162,749	242,672
Work in process	62,749	66,688
Finished goods	326,562	330,564
Materials and goods in transit	3,844	1,062
Factory supplies	4,658	4,322
Total	560,562	645,308
<u>Less</u> Allowance for decline values	(3,316)	(13,298)
Net	557,246	632,010

During the years, 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	
	2019	2018
Balance as at 1 January	(13,298)	(776)
<u>Add</u> Additional allowance during the year	(28,082)	(24,383)
<u>Less</u> Reversal of allowance during the year	38,064	11,861
Balance as at 31 December	(3,316)	(13,298)

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

	(Unit : Thousand Baht)	
	Consolidated F/S	Separate F/S
	2019	2018
Costs of goods sold	4,999,949	5,079,496
<u>Add</u> Allowance for cost of goods anticipated to be higher than net realizable value	28,082	24,383
<u>Less</u> Reverse of allowance for cost of goods anticipated to be higher than net realizable value	(38,064)	(11,861)
Total costs of sales	4,989,967	5,092,018

10. RESTRICTED DEPOSITS WITH BANKS

As at 31 December 2019 and 2018, 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.

During the year ended 31 December 2019, the Company redeemed fixed deposit amounting to Baht 16.29 million, which were pledged with local bank as collateral for loans.

11. INVESTMENTS IN SUBSIDIARIES - NET

(Unit : Thousand Baht)

	Paid-up capital		Percentage of shareholding		Separate F/S			
					2019		2018	
	2019	2018	2019	2018	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	-

12. PROPERTY, PLANT AND EQUIPMENT – NET

(Unit : Thousand Baht)

	Consolidation F/S						Total
	Land and improvement	Buildings And construction	Machinery and factory tools	Furniture and office equipment	Vehicles	Assets in Transit and in progress	
Cost							
1 January 2019	179,746	254,410	465,608	23,868	108,885	47,660	1,080,177
Acquisitions	-	1,549	4,600	1,165	12,860	28,473	48,647
Disposals	-	-	-	(879)	(2,480)	-	(3,359)
Transfer in /(out)	1,050	25,598	48,567	918	-	(76,133)	-
31 December 2019	180,796	281,557	518,775	25,072	119,265	-	1,125,465
Accumulated depreciation							
1 January 2019	(12,009)	(130,090)	(320,144)	(21,318)	(50,610)	-	(534,171)
Depreciation for the year	(1,410)	(10,746)	(21,874)	(1,091)	(7,102)	-	(42,223)
Depreciation for disposals	-	-	-	814	2,147	-	2,961
31 December 2019	(12,009)	(130,090)	(320,144)	(21,318)	(50,610)	-	(534,171)
Net book value							
31 December 2019	167,377	140,721	176,757	3,477	63,700	-	552,032
Depreciation for the year 2019							
Cost of goods sold							27,492
Administrative expenses							14,731
Total							42,223

(Unit : Thousand Baht)

	Consolidation F/S						Total
	Land and improvement	Buildings And construction	Machinery and factory tools	Furniture and office equipment	Vehicles	Assets in Transit and in progress	
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)

	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 2019	112,174	104,267	220,516	12,440	8,452	26,237	484,086
Acquisitions	-	1,549	1,113	773	533	3,134	7,102
Disposals	-	-	-	(254)	(833)	-	(1,087)
Transfer in /(out)	-	25,522	2,995	854	-	(29,371)	-
31 December 2019	112,174	131,338	224,624	13,813	8,152	-	490,101
Accumulated depreciation							
1 January 2019	(3,710)	(45,893)	(150,673)	(11,190)	(7,616)	-	(219,082)
Depreciation for the year	(560)	(5,713)	(8,294)	(688)	(450)	-	(15,705)
Depreciation for disposals	-	-	-	190	832	-	1,022
31 December 2019	(4,270)	(51,606)	(158,967)	(11,688)	(7,234)	-	(233,765)
Net book value							
31 December 2019	107,904	79,732	65,657	2,125	918	-	256,336
Depreciation for the year 2019							
Cost of goods sold							11,089
Administrative expenses							4,616
Total							15,705

(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	431,237
Acquisitions	1,874	1,177	2,818	441	-	47,384	53,694
Disposals	-	-	(20)	(126)	(699)	-	(845)
Transfer in /(out)	-	140	25,437	-	-	(25,577)	-
31 December 2018	112,174	104,267	220,516	12,440	8,452	26,237	484,086
Accumulated depreciation							
1 January 2018	(3,199)	(42,036)	(143,397)	(10,557)	(7,661)	-	(206,850)
Depreciation for the year	(511)	(3,857)	(7,283)	(707)	(654)	-	(13,012)
Depreciation for disposals	-	-	7	74	699	-	780
31 December 2018	(3,710)	(45,893)	(150,673)	(11,190)	(7,616)	-	(219,082)
Net book value							
31 December 2018	108,464	58,374	69,843	1,250	836	26,237	265,004
Depreciation for the year 2018							
Cost of goods sold							8,177
Administrative expenses							4,835
Total							13,012

As at 31 December 2019 and 2018, the Company's and subsidiary's land and construction thereon, and machinery used for manufacturing with book values of Baht 111.07 million and Baht 115.22 million, respectively, in the consolidated financial statements, and Baht 100.02 million and Baht 103.49 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 29.4.

As at 31 December 2019 and 2018, the cost of fully depreciated assets that are still in use are Baht 283.94 million and Baht 320.07 million, respectively, in the consolidated financial statements and of Baht 151.48 million and Baht 159.67 million, respectively, in the separate financial statements.

13. INVESTMENT PROPERTY – NET

	(Unit : Thousand Baht)
	Consolidation F/S
Cost	
At 1 January 2018	-
Transfer in	5,060
At 31 December 2018	5,060
Addition	-
At 31 December 2019	5,060
Accumulated depreciation	
At 1 January 2018	-
Transfer in	(2,440)
Depreciation for the year	(337)
At 31 December 2018	(2,777)
Depreciation for the year	(337)
At 31 December 2019	(3,114)
Net book value	
At 31 December 2018	2,283
At 31 December 2019	1,946

14. PREPAID LAND RENTAL EXPENSE – NET

During the years ended 31 December 2019 and 2018, the Company has the following movements in prepaid land rental expense:

	Consolidated F/S			Separate F/S		
	Building	Land improvement	Total	Building	Land improvement	Total
Cost						
1 January 2018	8,656	5,450	14,106	8,656	67	8,723
31 December 2018	8,656	5,450	14,106	8,656	67	8,723
31 December 2019	8,656	5,450	14,106	8,656	67	8,723
Accumulated depreciation						
1 January 2018	(6,853)	(1,353)	(8,206)	(6,853)	(67)	(6,920)
Amortization for the year	(577)	(447)	(1,024)	(577)	-	(577)
31 December 2018	(7,430)	(1,800)	(9,230)	(7,430)	(67)	(7,497)
Amortization for the year	(402)	(471)	(873)	(402)	-	(402)
31 December 2019	(7,832)	(2,271)	(10,103)	(7,832)	(67)	(7,899)
Net book value						
31 December 2018	1,226	3,650	4,876	1,226	-	1,226
31 December 2019	824	3,179	4,003	824	-	824
Depreciation for the year 2018						
Administrative expenses			1,024			577
Depreciation for the year 2019						
Administrative expenses			873			402

As at 31 December 2019 and 2018, the prepaid land rental expense of the Company amounting to Baht 0.82 million and Baht 1.23 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 be transferred to the lessor as mentioned in Note 29.1. The Company amortizes prepaid land rental expense based on the straight-line method in accordance with the lease agreement.

As at 31 December 2019 and 2018, the prepaid land rental expenses of a subsidiary in Lao People's Democratic Republic amounted to Baht 3.18 million and Baht 3.65 million, respectively, represents the right to use land under two lease agreements from an other person for 15 - 30 years as mentioned in Note 29.2. The subsidiary amortizes the prepaid

land rental expense based on the straight-line method in accordance with the lease agreement.

15. LEASEHOLD RIGHT – NET

The movements in leasehold right for the years ended 31 December 2019 and 2018 are as follow:

	(Unit : Thousand Baht)
	Consolidated F/S
Cost	
At 1 January 2018	3,039
At 31 December 2018	3,039
At 31 December 2019	3,039
Accumulated amortization	
At 1 January 2018	(432)
Amortization for the year	(177)
At 31 December 2018	(609)
Amortization for the year	(176)
At 31 December 2019	(785)
Net book value	
At 31 December 2018	2,430
At 31 December 2019	2,254

16. INTANGIBLE ASSETS – NET

The movements of computer software for the years ended 31 December 2019 and 2018 are as follow:

	(Unit:Thousand Baht)	
	Consolidated F/S	Separate F/S
Cost		
At 1 January 2018	6,556	5,863
Addition	24	9
At 31 December 2018	6,580	5,872
Addition	1,316	1,137
At 31 December 2019	7,896	7,009
Accumulated amortization		
At 1 January 2018	(4,770)	(4,179)
Amortization for the year	(700)	(666)
At 31 December 2018	(5,470)	(4,845)
Amortization for the year	(779)	(710)
At 31 December 2019	(6,249)	(5,555)
Net book value		
At 31 December 2018	1,110	1,027
At 31 December 2019	1,647	1,454

17. GOODWILL

Goodwill of Baht 15 million as at 31 December 2019 and 2018 arose from the business acquisition of Grand Steel Pipe Industry Co., Ltd. in 2015.

Impairment testing

During the year 2019, for the purpose of the annual impairment testing, management assessed the recoverable amount of investment using the value in use calculation. The calculation is based on 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 (%)	12

The basis of the key assumptions are as follows:

Cash flow assumptions

Due to the volatility of steel prices, management assumed sales volume to calculated revenue from sales using the average selling prices and fix the profit margin similar to the historical experience of the parent company. Management believes that those assumptions are 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.

From the consideration of the above factors for the calculation of the recoverable amount of investment in Grand Steel Pipe Industry Co., Ltd., management is not aware of any other probable changes that would necessitate changes in its key estimates in year 2019. 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 10.81 million and Baht 12.99 million, respectively. The results of the valuation indicated that the recoverable amount was Baht 123.85 million. No provision for impairment loss was determined necessary and there would still be no impact on the carrying value of goodwill as at 31 December 2019.

18. SHORT-TERM LOANS FROM FINANCIAL INSTITUTIONS

	(Unit : Thousand Baht)	
	Consolidated and Separate F/S	
	2019	2018
Promissory notes	150,000	100,000
Liabilities under trust receipt agreements	132,234	351,770
Total	282,234	451,770

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 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 the Group totaling Baht 840 million.

19. TRADE AND OTHER ACCOUNTS PAYABLE

	(Unit: Thousand Baht)	
	Consolidated F/S	Separate F/S
	2019	2018
Trade accounts payable – general suppliers	11,353	8,382
Trade accounts payable – related companies	11,503	7,085
Other accounts payable – general suppliers	5,742	4,460
Other accounts payable – related companies	7	9
Total	28,605	19,936

20. ACCRUED EXPENSES

	(Unit : Thousand Baht)	
	Consolidated F/S	Separate F/S
	2019	2018
Accrued bonuses	13,209	12,082
Accrued transportation	8,186	8,590
Accrued salary and other employee benefits	3,776	3,113
Accrued utilities	2,943	2,732
Accrued other expenses	1,254	2,908
Accrued interest	788	175
Total	30,156	29,600

21. POST - EMPLOYMENT BENEFIT PLANS

21.1 Defined benefit plans

During the years ended 31 December 2019 and 2018, movements in employee benefits obligation are as follow:

	(Unit : Thousand Baht)	
	Consolidated F/S	Separate F/S
	2019	2018
Beginning Balance	10,447	9,486
Provision expense recorded in the statement of profit or loss		
- Current service costs	665	644
- Past service costs	4,097	-
- Financial costs	350	317
Loss from actuarial estimates charged to other comprehensive income	5,066	-
Ending Balance	20,625	16,925

Principal actuarial assumptions are as follows:

	Consolidated F/S	Separate F/S
Discount rate for salary	2.02-2.47 percent per annum	2.47 percent per annum
Discount rate for wage	2.02-2.47 percent per annum	2.47 percent per annum
Mortality rate	Thai Mortality Table 2017	Thai Mortality Table 2017
Future salary expense increment rate	5.84-6.04 percent per annum	5.84 percent per annum
Future wage expense increment rate	2.71-4.87 percent per annum	2.71 percent per annum
Normal retirement age	60 years	60 years
Number of employees	411 persons	274 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)	(787)	(700)
Discount rate (0.5% decrement)	844	752
Future salary growth (0.5% increment)	774	687
Future salary growth (0.5% decrement)	(730)	(645)
Employee turnover (1.0% increment)	(1,047)	(848)
Employee turnover (1.0% decrement)	1,148	949

On 5 April 2019, the National Legislative Assembly published Labor Protection Act No.7 B.E. 2019 in the Government Gazette which entitles employees who have worked for a consecutive period of 20 years or more to receive retirement benefits for 400 days based on their salaries at the date of retirement. The revised legislation was effective from 5 May 2019, and resulted in an increase in the employees benefits obligation in respect of the past service costs of Baht 4.10 million in the consolidated statements of profit or loss and Baht 3.30 million in the separate statements of profit or loss for the year ended 31 December 2019.

21.2 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 2019 and 2018, the Group contribution amounted to Baht 1.26 million and Baht 1.22 million, respectively, in the consolidated financial statements and Baht 0.92 million and Baht 0.89 million, respectively, in the separate financial statements.

22. INCOME TAX

Reconciliation of income tax expenses are as follows:

Recommendation of income tax expenses are as follow:

	(Unit : Thousand Baht)			
	Consolidated F/S		Separate F/S	
	2019	2018	2019	2018
Accounting profit before tax	158,487	129,310	142,976	128,521
Applicable tax rate	20	20	20	20
Tax multiplied by applicable tax rate	31,697	25,862	28,595	25,704
Adjustment for:				
Non-deductible expenses	900	2,018	834	2,000
Tax-exempted income and additional expendible expense	(5,050)	(5,859)	(3,072)	(3,407)
Profit from promoted operation	(350)	(738)	-	-
Tax from taxable losses of previous year	(382)	-	-	-
Related transaction	(103)	(261)	-	-
Unrecognized deferred tax assets	-	2,907	-	-
Tax benefit previously unrecognized as deferred tax assets	(1,500)	-	(1,500)	-
Income tax	25,212	23,929	24,857	24,297

	(Unit : Thousand Baht)			
	Consolidated F/S		Separate F/S	
	2019	2018	2019	2018
Income tax consisted of:				
Current income tax	28,848	25,415	27,384	24,470
Deferred tax from temporary differences	(3,636)	(1,486)	(2,527)	(173)
Total income tax	25,212	23,929	24,857	24,297

23. 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 2019	Profit or loss	Other comprehensive income	31 December 2019
Deferred tax assets from:				
Provision for allowance doubtful of accounts receivable	-	1,697	-	1,697
Provision for employee benefits obligation	2,103	1,009	1,013	4,125
Deferred tax liabilities from:				
Surplus from fair value of land, buildings and equipment	(24,588)	930	-	(23,658)
Deferred tax liabilities, net	(22,485)	3,636	1,013	(17,836)

	(Unit : Thousand Baht)			
	Consolidated F/S			
	Recognised as income (expense)			
	1 January 2018	Profit or loss	Other comprehensive income	31 December 2018
Deferred tax assets from:				
Provision for employee benefits obligation	1,910	193	-	2,103
Deferred tax liabilities from:				
Surplus from fair value of land, buildings and equipment	(25,881)	1,293	-	(24,588)
Deferred tax liabilities, net	(23,971)	1,486	-	(22,485)

	(Unit : Thousand Baht)			
	Separate F/S			
	Recognised as income (expense)			
	1 January 2019	Profit or loss	Other comprehensive income	31 December 2019
Deferred tax assets from:				
Provision for allowance doubtful of accounts receivable	-	1,697	-	1,697
Provision for employee benefits obligation	1,870	830	685	3,385
Deferred tax liabilities from:				
Surplus from fair value land	(11,095)	-	-	(11,095)
Deferred tax liabilities, net	(9,225)	2,527	685	(6,013)

(Unit : Thousand Baht)

	Separate F/S		
	Recognised as income (expense)		
	1 January 2018	Profit or loss	Other comprehensive income
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	-

As at 31 December 2019, 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 14.53 million (31 December 2018: Baht 17.82 million) as the subsidiary believe that future taxable profits may not be sufficient to utilize unused tax losses
- In the consolidated financial statements and separate financial statements – the effect on allowance for decline value of inventories of Baht 3.32 million (31 December 2018: Baht 13.29 million) as the Company is in the process to determine the effect in the future.

24. WARRANT

Movements in issued warrants for the year ended 31 December 2019 are as follow:

	Number of warrants
Balance as at 1 January 2019	99,999,371
Exercised warrants	(263)
Warrants expired on 30 May 2019	(99,999,108)
Balance as at 31 December 2019	-

In 2017, the Company issued warrants with an exercise price of Baht 7.50 per unit. On 30 May 2019, the warrant holders exercised to convert 263 warrants to 295 common shares. The Company has already received additional paid-up share capital totaling Baht 1,967 for the conversion and recorded the increased share capital, at par value, of Baht 295 with share premium of Baht 1,672. The final exercise date for the conversion of warrant was expired on 30 May 2019. Total 99,999,108 units of warrants were not exercised and expired.

25. EQUITY

25.1 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.

25.2 Dividend payment

At the Annual General Meeting for the year 2019 held on 24 April 2019, the shareholders passed a resolution to pay dividend from net profit for the second half of the year (July – December of 2018) from non-promoted business for 450 million common shares at Baht 0.07 per share, totalling Baht 31.50 million. The dividend was paid on 23 May 2019.

At the Board of Director Meeting No. 3/2019 held on 14 August 2019, the board of directors passed a resolution to pay interim dividend from non-promoted income for the six-month period ended 30 June 2019 of Baht 0.07 per share for 450 million common shares, totalling Baht 31.50 million. The interim dividend was paid on 12 September 2019.

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.

26. EXPENSES BY NATURE

Significant expenses by nature are as follows:

Significant expenses by nature are as follows:

	Consolidated F/S		(Unit : Thousand Baht) Separate F/S	
	For the years ended 31 December			
	2019	2018	2019	2018
Salaries, wages and other employee benefits	117,663	107,705	75,239	68,785
Executives' remuneration	34,376	29,527	25,670	22,194
Depreciation and amortization	44,388	39,399	16,817	14,255
Transportation expenses	83,461	72,807	111,440	95,244
Manufacturing service costs	-	-	89,931	82,733
Loss on (reversal of allowance) excess of cost of goods over net realizable value	(9,982)	12,522	(9,982)	12,522
Loss from exchange rate	10,237	1,512	6,362	1,512
Raw material and supplies used	3,181,260	3,346,536	3,139,355	3,330,174
Purchase of finished goods	1,716,369	1,574,713	1,716,369	1,574,713
Change in finished goods and work in process	7,941	53,836	12,941	76,549

27. 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 2019 and 2018.

(Unit : Million Baht)

	Consolidated F/S							
	For the years ended 31 December							
	Trading of products (include raw materials)		Production and distribution of steel products		Eliminated		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Revenues from external customers	1,602.13	1,534.96	3,794.14	3,914.55	-	-	5,396.27	5,449.51
Revenues from inter-segments	221.21	257.98	90.48	82.73	(311.69)	(340.71)	-	-
Total revenue	1,823.34	1,792.94	3,884.62	3,997.28	(311.69)	(340.71)	5,396.27	5,449.51
Interest income	0.90	1.02	2.12	2.61	(1.54)	(2.04)	1.48	1.59
Interest expense	3.84	5.03	9.11	12.84	(1.54)	(2.04)	11.41	15.83
Depreciation and amortization expenses	-	-	44.52	41.46	(0.13)	(1.14)	44.39	40.32
Segment profits	31.86	29.56	100.77	73.01	0.64	2.81	133.27	105.38
Segment assets	564.29	575.16	1,202.22	1,282.30	-	-	1,766.51	1,857.46
Increased (decreased) of segment non-current assets	-	-	(11.12)	45.11	-	-	(11.12)	45.11
Segment liabilities	-	-	388.84	543.27	-	-	388.84	543.27

The Group disclosed the revenue disaggregated by primary geographical area follows:

	Consolidated F/S							
	(Unit : Million Baht)							
	Trading (include raw materials)		Production and distribution of steel products		Eliminated		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Local	1,823.34	1,792.94	3,632.89	3,746.35	(311.69)	(340.71)	5,144.54	5,198.58
Lao People's Democratic Republic	-	-	251.73	250.93	-	-	251.73	250.93
Total	1,823.34	1,792.94	3,884.62	3,997.28	(311.69)	(340.71)	5,396.27	5,449.51

Major Customer

The Group does not have sales to any customer more than 10 percent of total revenues in the consolidated and separate financial statements.

28. INVESTMENT PROMOTION PRIVILEGES

The Company and subsidiary have 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
The Company				
62-0968-1-04-1-0	15 July 2019	Cold formed structural steel sections	4 September 2019	3 September 2022
The subsidiary				
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 Company and subsidiary have privileges as follows:

- Exemption from import duty on approved imported machinery.
- Exemption from corporate income tax on profits from the promoted activity not exceeding 50% and 100% of assets, exclude land and capital, for a period of three years and eight years, respectively 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 Company and 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 2019 and 2018 are follows:

	Thousand Baht			
	Consolidated F/S			
	Promoted business	Non-promoted business	Eliminated	Total
2019				
Revenue from sales	398,544	5,309,419	(311,689)	5,396,274
2018				
Revenue from sales	32,715	5,757,505	(340,710)	5,449,510

	Thousand Baht		
	Separate F/S		
	Promoted business	Non-promoted business	Total
2019			
Revenue from sales	377,562	4,988,737	5,366,299

29. COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2019, the Company has commitments and contingent liabilities as follows:

- 29.1 The Company has two agreements dated 19 November 2007 and 5 January 2019 with other persons for the rent of land where two warehouses are located in Surat Thani province for 15 and 7 years, respectively. The rent for these land is Baht 0.50 million per annum. When the land-lease agreements expire, the ownership of the warehouses will become the properties of the lessor, except for the building's equipment that should be returned to the lessee.
- 29.2 A subsidiary has two land-lease agreements dated 2 August 2011 and 1 August 2015 with other persons for the right to use land located in Vientiane, Lao People's Democratic Republic for 15 and 30 years, respectively. The rent for this land is Baht 0.46 million per annum. When the land-lease agreements expire, the ownership of the warehouses which are located on leased land will become the properties of the lessor.

29.3 The Company has purchase orders for raw materials and finished goods which products have not yet been received for Baht 743.08 million and Baht 73.67 million, respectively, in the consolidated and separate financial statements.

29.4 As at 31 December 2019 and 2018 the credit facilities of the Company and subsidiary are as follows:

(Unit : Million)

Consolidated F/S							
31 December 2019				31 December 2018			
Currency	Total	Utilised	Remained	Total	Utilised	Remained	
Letters of guarantee	Baht	2.61	2.61	-	2.61	2.61	-
Bank overdraft	Baht	15.00	-	15.00	15.00	-	15.00
Promissory notes and trust receipt agreement	Baht	990.00	282.23	707.77	940.00	451.77	488.23

(Unit : Million)

Separate F/S							
31 December 2019				31 December 2018			
Currency	Total	Utilised	Remained	Total	Utilised	Remained	
Letters of guarantee	Baht	1.05	1.05	-	1.05	1.05	-
Bank overdraft	Baht	10.00	-	10.00	10.00	-	10.00
Promissory notes and trust receipt agreement	Baht	990.00	282.23	707.77	940.00	451.77	488.23

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

30. 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						
	2019						
	Fixed interest rate			Floating	Non		Interest Rate
	Within 1 year	More than 1 to 5 years	More than 5 years	Interest rate	Interest rate	Total	(% per annum)
Financial assets							
Cash at banks	-	-	-	71,307	59,922	131,229	0.10 – 0.70
Trade and other accounts receivable - net	-	-	-	-	349,077	349,077	-
Restricted deposit with banks	1,052	-	-	-	-	1,052	1.05
Total	1,052	-	-	71,307	408,999	481,358	

(Unit: Thousand Baht)

Consolidated F/S							
2019							
	Fixed interest rate			Floating Interest rate	Non Interest rate	Total	Interest Rate (% per annum)
	Within 1 year	More than 1 to 5 years	More than 5 years				
Financial liabilities							
Short-term loans from financial institutions	-	-	-	282,234	-	282,234	MIT, MLR-3 to MRR
Trade and other accounts payable	-	-	-	-	28,605	28,605	-
Total	-	-	-	282,234	28,605	310,839	

(Unit: Thousand Baht)

Consolidated F/S							
2018							
	Fixed interest rate			Floating Interest rate	Non Interest rate	Total	Interest Rate (% per annum)
	Within 1 year	More than 1 to 5 years	More than 5 years				
Financial assets							
Cash at banks	-	-	-	36,872	27,876	64,748	0.38 - 0.67
Trade and other accounts receivable - net	-	-	-	-	353,921	353,921	-
Restricted deposit with banks	17,345	-	-	-	-	17,345	0.65 - 1.05
Total	17,345	-	-	36,872	381,797	436,014	
Financial liabilities							
Short-term loans from financial institutions	-	-	-	282,234	-	282,234	MIT, MLR-3 to MRR
Trade and other accounts payable	-	-	-	-	28,605	28,605	-
Liabilities under finance lease agreement	7	-	-	-	-	7	7.04
Total	-	-	-	282,234	28,605	310,839	

(Unit: Thousand Baht)

Separate F/S							
2019							
	Fixed interest rate			Floating Interest rate	Non Interest rate	Total	Interest Rate (% per annum)
	Within 1 year	More than 1 - 5 years	More than 5 years				
Financial assets							
Cash at banks	-	-	-	61,610	29,895	91,505	0.10 - 0.70
Trade accounts receivable and other - net	-	-	-	-	444,777	444,777	-
Loan to subsidiary company	17,416	15,386	-	-	-	32,802	2.80 - 4.00
Restricted deposit with banks	1,052	-	-	-	-	1,052	1.05
Total	18,468	15,386	-	61,610	474,672	570,136	
Financial liabilities							
Short-term loans from financial institutions	-	-	-	282,234	-	282,234	MIT, MLR-3 to MRR
Trade and other accounts payable	-	-	-	-	34,772	34,772	-
Loan from subsidiary companies	5,000	-	-	-	-	5,000	3.40
Total	5,000	-	-	282,234	34,772	322,006	

(Unit : Thousand Baht)

	Separate F/S						
	2018						
	Fixed interest rate			Floating	Non		Interest
	Within	More than	More than	Interest	Interest		Rate
	1 year	1 – 5 years	5 years	rate	rate	Total	(% per annum)
Financial assets							
Cash at banks	-	-	-	29,176	18,923	48,099	0.38 - 0.67
Trade accounts receivable and other - net	-	-	-	-	437,327	437,327	-
Loan to subsidiary company	21,344	11,751	-	-	-	33,095	2.50 - 3.75
Restricted deposit with banks	17,345	-	-	-	-	17,345	0.65 - 1.05
Total	38,689	11,751	-	29,176	456,250	535,866	
Financial liabilities							
Short-term loans from financial institutions	-	-	-	451,770	-	451,770	MIT, MLR-3 to MRR
Trade and other accounts payable	-	-	-	-	24,831	24,831	-
Liabilities under finance lease agreement	7	-	-	-	-	7	7.04
Loan from subsidiary companies	8,503	-	-	-	-	8,503	3.60 - 3.75
Total	8,510	-	-	451,770	24,831	485,111	

Exchange rates risk

The Company and its subsidiaries sometimes execute transactions in foreign currencies. However, as at 31 December 2019 and 2018, the Company and subsidiaries have assets and liabilities in the foreign currencies. The Company and its subsidiaries use forward exchange contracts to manage foreign exchange risk.

As at 31 December 2019, the Company and subsidiaries have assets and liabilities in the foreign currencies are as follows:

	(Unit : Thousand)	
	Consolidated F/S	
	2019	
	Foreign currency	Average exchange rate
Cash at banks		
USD	279	29.89
Trade and account receivable		
USD	3,459	29.89

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 sales are mainly made to customers with a sound financial position and with good records of debt payment capability. The Group has also established a long-term relationship with these customers. In addition, the Group periodically assesses the financial viability of customers. Moreover, the appropriate allowance for doubtful debt has been set up by the Group. The Group believes that accounts receivable at the reporting date is recoverable.

31. 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			Total
	Short-term loans from financial institutions	Short-term loans from subsidiary	Liabilities under financial lease agreement	
1 January 2019	451,770	-	7	451,777
Cash-flows:				
Repayment	(4,399,813)	-	(7)	(4,399,820)
Proceeds	4,230,277	-	-	4,230,277
31 December 2019	282,234	-	-	282,234

(Unit : Thousand Baht)

	Consolidated F/S			Total
	Short-term loans from financial institutions	Short-term loans from subsidiary	Liabilities under financial lease agreement	
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)

	Separate F/S			Total
	Short-term loans from financial institutions	Short-term loans from subsidiary	Liabilities under financial lease agreement	
1 January 2019	451,770	8,503	7	460,280
Cash-flows:				
Repayment	(4,399,813)	(13,512)	(7)	(4,413,332)
Proceeds	4,230,277	10,009	-	4,240,286
31 December 2019	282,234	5,000	-	287,234

(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 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

32. FAIR VALUE MEASUREMENT

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

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 2019 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 2019 and 2018, 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	
2019	2018	2019	2018
6.00	-	181.55	-

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	
	2019	2018
Fair value of forward foreign currency contract	0.98	-

33. 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.

34. EVENTS AFTER THE REPORTING PERIOD

At the Board of director's meeting No. 1/2020, held on 26 February 2020, the meeting passed the resolution to propose to the Annual General Meeting of Shareholders 2020 for approval to pay dividend from its net profit after tax year 2019 at Baht 0.07 per share for 449,999,095 shares for a total amount of Baht 31.50 million.

35. AUTHORISATION OF FINANCIAL STATEMENTS

The consolidated and separate financial statements for the year ended 31 December 2019 (including comparative financial statements) were approved by the Board of Directors on 26 February 2020.



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