

THAI METAL TRADE PUBLIC COMPANY LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2018

Independent Auditor's Report

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

My opinion

In my opinion, the financial statements of Thai Metal Trade Public Company Limited (the Company) present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

What I have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2018;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

I conducted my audit in accordance with Thai Standards on Auditing (TSAs). My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the Company in accordance with the Federation of Accounting Professions under the Royal Patronage of his Majesty the King's Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key audit matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. I determine one key audit matter: Valuation of inventories. The matter was addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on the matters.

Key audit matter	How my audit addressed the key audit matter
<p>Valuation of inventories</p> <p>Refer to Note 4 'Critical accounting estimates, assumption and judgement' and Note 8 'Inventories, net' to the financial statements:</p> <p>As at 31 December 2018, the Company had raw materials totalling Baht 151,999,335 and finished goods totalling Baht 1,622,598,432 before deducting the allowance for net realisable value for raw materials and finished goods of Baht 598,664 and 9,379,884 respectively.</p> <p>The Company measured the inventory value at the lower of cost or net realisable value. The management estimated the net realisable value from the estimate of the selling prices in the ordinary course of business, less applicable selling expenses such as marketing and transportation expenses.</p> <p>Management prepared the net realisable value calculation report based on the selling price of inventory and evaluated the adequacy of the allowance for net realisable value at year end and period end.</p> <p>I therefore focused on this area because the selling price that the Company used in estimating the allowance for net realisable value was based on domestic market prices. Fluctuation of raw material prices in global markets, the competitive environment, economic circumstances and the situation within the industry were factors that affected costs of production and selling price.</p>	<p>I obtained an understanding of the Company's policy for net realisable value calculation, the process of data collection and accuracy review, and the consistency in implementing Company accounting policies.</p> <p>I performed the internal control testing over the procurement cycle from the purchase requisition, purchase orders, goods receiving, payments and until recording to reflect the accuracy of the cost of inventory.</p> <p>I randomly tested the selling prices per unit on quotations against market prices at year end and inquired the management to obtain an understanding of the appropriateness of the selling prices per unit which used in estimating the allowance for net realisable value.</p> <p>I tested the calculation of net realisable value at year end for both raw materials and finished goods, including any reconciliations concerned.</p> <p>Based on the procedures above, I viewed that the management's estimation on allowance for net realisable value was adequate and reasonable.</p>

Other information

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

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

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

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

Responsibilities of the directors for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

PricewaterhouseCoopers ABAS Ltd.

Paiboon Tunkoon
Certified Public Accountant (Thailand) No. 4298
Bangkok
15 February 2019

Thai Metal Trade Public Company Limited
Statement of Financial Position
As at 31 December 2018

	<u>Notes</u>	<u>2018</u> <u>Baht</u>	<u>2017</u> <u>Baht</u>
Assets			
Current assets			
Cash and cash equivalents	6	232,822,969	170,463,201
Trade accounts receivable, net	7	2,684,275,829	2,484,930,951
Inventories, net	8	1,764,619,219	1,664,359,980
Advance payments for purchases of inventories		72,569,583	345,085,511
Other receivables		<u>25,321,429</u>	<u>16,187,651</u>
Total current assets		<u>4,779,609,029</u>	<u>4,681,027,294</u>
Non-current assets			
Investment property	9	55,729,000	55,729,000
Property, plant and equipment, net	10	2,833,035,686	2,297,331,079
Intangible assets, net	11	23,910,594	17,955,430
Deferred income tax assets	12	9,578,576	8,591,174
Other non-current assets		<u>3,843,556</u>	<u>4,032,680</u>
Total non-current assets		<u>2,926,097,412</u>	<u>2,383,639,363</u>
Total assets		<u><u>7,705,706,441</u></u>	<u><u>7,064,666,657</u></u>

Director _____

Director _____

The notes to the financial statements on pages 11 to 34 from an integral part of these financial statements.

Thai Metal Trade Public Company Limited
Statement of Financial Position
As at 31 December 2018

	Notes	2018 Baht	2017 Baht
Liabilities and equity			
Current liabilities			
Short-term borrowings from financial institutions	13	3,567,727,365	3,715,020,075
Trade accounts payable		160,394,047	188,716,627
Income tax payable		26,917,441	80,467,250
Advance receipts from customers for goods		14,395,674	58,668,761
Current portion of finance lease liabilities	14	758,181	1,533,357
Current portion of debentures	15	1,479,828	-
Other payables	16	190,768,899	161,589,314
Total current liabilities		3,962,441,435	4,205,995,384
Non-current liabilities			
Finance lease liabilities, net	14	-	758,181
Debentures	15	995,088,062	-
Employee benefit obligations	17	43,810,941	36,975,735
Total non-current liabilities		1,038,899,003	37,733,916
Total liabilities		5,001,340,438	4,243,729,300
Equity			
Share capital	18		
Authorised share capital			
436,000,000 ordinary shares of par Baht 1 each		436,000,000	436,000,000
Issued and paid-up share capital			
435,379,017 ordinary shares of paid-up Baht 1 each		435,379,017	435,379,017
Premium on share capital	18	427,323,198	427,323,198
Retained earnings			
Appropriated - Legal reserve	25	43,600,000	43,600,000
Unappropriated		1,798,063,788	1,914,635,142
Total equity		2,704,366,003	2,820,937,357
Total liabilities and equity		7,705,706,441	7,064,666,657

The notes to the financial statements on pages 11 to 34 from an integral part of these financial statements.

Thai Metal Trade Public Company Limited
Statement of Comprehensive Income
For the year ended 31 December 2018

	Notes	2018 Baht	2017 Baht
Sales		17,369,987,824	14,320,129,337
Costs of sales	28	<u>(16,326,337,661)</u>	<u>(13,036,148,820)</u>
Gross profit		1,043,650,163	1,283,980,517
Other income	20	49,914,767	63,392,685
Selling expenses		(193,980,921)	(164,974,002)
Administrative expenses	28	(339,533,971)	(322,265,046)
Finance costs - interest expenses		<u>(102,647,699)</u>	<u>(64,061,328)</u>
Profit before income tax	21	457,402,339	796,072,826
Income tax	22	<u>(51,518,873)</u>	<u>(155,034,620)</u>
Profit for the year		405,883,466	641,038,206
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u><u>405,883,466</u></u>	<u><u>641,038,206</u></u>
Earnings per share	23		
Basic earnings per share		<u><u>0.93</u></u>	<u><u>1.47</u></u>

The notes to the financial statements on pages 11 to 34 from an integral part of these financial statements.

Thai Metal Trade Public Company Limited
Statement of Changes in Equity
For the year ended 31 December 2018

	Note	Issued and paid-up share capital Baht	Premium on share capital Baht	Retained earnings		Total Baht
				Appropriated - Legal reserve Baht	Unappropriated Baht	
Opening balances as at 1 January 2017		435,379,017	427,323,198	43,600,000	1,926,664,411	2,832,966,626
Dividends paid	24	-	-	-	(653,067,475)	(653,067,475)
Total comprehensive income for the year		-	-	-	641,038,206	641,038,206
Closing balances as at 31 December 2017		<u>435,379,017</u>	<u>427,323,198</u>	<u>43,600,000</u>	<u>1,914,635,142</u>	<u>2,820,937,357</u>
Opening balances as at 1 January 2018		435,379,017	427,323,198	43,600,000	1,914,635,142	2,820,937,357
Dividends paid	24	-	-	-	(522,454,820)	(522,454,820)
Total comprehensive income for the year		-	-	-	405,883,466	405,883,466
Closing balances as at 31 December 2018		<u>435,379,017</u>	<u>427,323,198</u>	<u>43,600,000</u>	<u>1,798,063,788</u>	<u>2,704,366,003</u>

The notes to the financial statements on pages 11 to 34 from an integral part of these financial statements.

Thai Metal Trade Public Company Limited
Statement of Cash Flows
For the year ended 31 December 2018

	Notes	2018 Baht	2017 Baht
Cash flows from operating activities			
Profit before income tax		457,402,339	796,072,826
Adjustments for :			
Doubtful accounts	7	19,568,093	1,860,186
Loss on declining in value of inventories	8	9,978,548	10,923,008
Depreciation and amortisation	10, 11	178,194,046	162,685,394
Loss (Gain) on disposals of equipment		961,930	(1,221,808)
Employee benefit expenses	17	6,835,206	6,375,801
Interest expenses		102,647,699	64,061,328
		<u>775,587,861</u>	<u>1,040,756,735</u>
Cash flows before changes in operating assets and liabilities			
Changes in operating assets and liabilities:			
Trade accounts receivable		(218,912,971)	(559,339,928)
Inventories		(110,237,787)	(61,731,598)
Advance payments for purchases of inventories		272,515,928	(82,343,762)
Other receivables		(9,133,778)	11,801,866
Other non-current assets		189,124	220,864
Trade accounts payable		(28,322,580)	90,974,656
Advance receipts from customers for goods		(44,273,087)	43,356,885
Other payables		(6,569,075)	(11,384,688)
		<u>630,843,635</u>	<u>472,311,030</u>
Cash flows received from operating activities before interest and income tax paid			
Interest paid		(92,205,434)	(63,456,820)
Income tax paid		(106,056,084)	(160,657,943)
		<u>432,582,117</u>	<u>248,196,267</u>
Net cash generated from operating activities			
Cash flows from investing activities			
Purchases of property, plant and equipment		(689,098,565)	(469,832,108)
Purchases of intangible assets		(11,958,438)	(3,244,836)
Proceeds from disposals of equipment		4,401,860	4,760,934
		<u>(696,655,143)</u>	<u>(468,316,010)</u>
Net cash used in investing activities			

The notes to the financial statements on pages 11 to 34 from an integral part of these financial statements.

Thai Metal Trade Public Company Limited
Statement of Cash Flows
For the year ended 31 December 2018

	Notes	2018 Baht	2017 Baht
Cash flows from financing activities			
Short-term borrowings from financial institutions, net		(147,292,710)	870,766,937
Payments for interest on finance lease liabilities		(85,723)	(190,760)
Payments for finance lease liabilities		(356,357)	(1,254,387)
Proceeds from issuance of debentures	15	1,000,000,000	-
Payments for debenture issuance costs		(3,377,596)	-
Dividends paid	24	(522,454,820)	(653,067,475)
Net cash receipts from financing activities		<u>326,432,794</u>	<u>216,254,315</u>
Net increase (decrease) in cash and cash equivalents		62,359,768	(3,865,428)
Opening balance		<u>170,463,201</u>	<u>174,328,629</u>
Closing balance		<u><u>232,822,969</u></u>	<u><u>170,463,201</u></u>
Cash and cash equivalents are made up as follows:			
- Cash on hand	6	154,078	158,874
- Deposits at financial institutions	6	<u>232,668,891</u>	<u>170,304,327</u>
		<u><u>232,822,969</u></u>	<u><u>170,463,201</u></u>

Non-cash transactions

Significant non-cash transactions for the years ended 31 December 2018 and 2017 are as follows:

Other payables from purchases of property, plant and equipment	42,457,211	17,119,607
Other payables from issuance of debentures	1,115,000	-

The notes to the financial statements on pages 11 to 34 from an integral part of these financial statements.

1 General information

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

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

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

These financial statements were authorised for issue by the Board of Directors on 15 February 2019.

2 Accounting policies

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

2.1 Basis of preparation

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

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

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

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

2.2 Revised accounting standards, revised financial reporting standards, and related interpretations

2.2.1 Revised accounting standards are effective for annual periods beginning on or after 1 January 2018 which have significant change and are relevant to the Company:

TAS 7 (revised 2017)	Statement of cash flows
TAS 12 (revised 2017)	Income taxes

Commencing from 1 January 2018, the Company has applied these financial reporting standards. There are no material impacts to the Company as a result of such adoption.

2 Accounting policies (Cont'd)

2.2 Revised accounting standards, revised financial reporting standards, and related interpretations (Cont'd)

2.2.2 TFRS15 Revenue from contracts with customers. This standard will become effective for annual periods beginning on or after 1 January 2019. The Company has not early adopted this standard.

TFRS 15 provide the requirements for the recognition of revenue. This standard will supersede the following standards:

TAS 11 (revised 2017)	Construction contracts
TAS 18 (revised 2017)	Revenue
TFRIC 13 (revised 2017)	Customer loyalty programmes
TFRIC 15 (revised 2017)	Agreements for the construction of real estate
TFRIC 18 (revised 2017)	Transfers of assets from customers
TSIC 31 (revised 2017)	Revenue - barter transactions involving advertising services

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards.

The Company will have a choice to apply this standard retrospectively in accordance with TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, subject to the expedients or retrospectively with the cumulative effect recognised as an adjustment to the opening balance of retained earnings of the annual reporting period that includes the date of initial application with additional disclosures.

Management is currently assessing the impact from initial application of this standard in detail.

2.2.3 Financial instruments reporting standards which are effective for annual periods beginning on or after 1 January 2020 consist of the following standards.

TAS 32	Financial instruments: Presentation
TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments

The management is currently assessing the impact of these standards.

2.3 Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

2 Accounting policies (Cont'd)

2.3 Foreign currency translation

Transactions and balances (Cont'd)

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

2.4 Cash and cash equivalents

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

2.5 Trade accounts receivable

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

2.6 Inventories

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

2.7 Investment property

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

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

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

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

2 Accounting policies (Cont'd)

2.8 Property, plant and equipment

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

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

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

Land improvements	5, 20 years
Buildings and building improvements	3, 10, 20, 25 years
Machinery and equipment	5, 10, 20 years
Furniture and fixtures	3, 5 years
Trucks and motor vehicles	5, 10 years

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

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

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

2.9 Intangible asset - Computer software

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

2.10 Impairment of assets

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

2 Accounting policies (Cont'd)

2.11 Leases - where the Company is the lessee

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

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

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

2.12 Current and deferred income taxes

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

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

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

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

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

2 Accounting policies (Cont'd)

2.13 Employee benefits

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

- **Defined benefit plans - retirement benefit**

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

- **Defined contribution plans - provident fund**

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

2.14 Provisions

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

2.15 Revenue recognition

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

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

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

2 Accounting policies (Cont'd)

2.16 Segment reporting

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

3 Financial risk management

3.1 Financial risk factors

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

3.1.1 Foreign exchange risk

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

3.1.2 Interest rate risk

The Company has short-term borrowings from financial institutions which are normally used for working capital. Generally, these borrowings have fixed interest rates are agreed terms money market rate. Interest rates approximate to the market rates as the borrowings are short-term.

3.1.3 Credit risk

The Company has policies in place to ensure that goods are sold to customers with an appropriate credit history and as a policy, certain major credit sales should be supported by bank guarantees as collateral. In addition, as at 31 December 2018 and 2017, the Company had no significant concentrations of credit risk on any industries. In addition, the Company has no significant risk with financial institutions since cash is placed with reputable financial institutions.

3.1.4 Liquidity risk

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

3 Financial risk management (Cont'd)

3.2 Accounting for financial instruments

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

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

Disclosures about derivative financial instruments to which the Company is a party are provided in Note 30.

3.3 Fair value estimation

As at 31 December 2018, the Company had no assets or liabilities measured at fair value. Disclosures of fair value measurements by level are as below:

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

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

4 Critical accounting estimates, assumption and judgement

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

4.1 Allowance for doubtful accounts

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

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

4.2 Allowance for obsolete, slow-moving and defective inventories

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

4.3 Property, plant and equipment

Management determines the estimated useful lives and residual values for the plant and equipment of which are mainly considered by technical ability and economic useful lives. The management will revise the depreciation charge where useful lives and residual values are significantly different to previously estimated, or when it is written off and sold.

4.4 Retirement employee benefits

The Company has commitments on retirement benefits to employees under the Thai Labour Law. The amount of provision presented in the statement of financial position represents the present value of employee benefit obligations which is determined on an actuarial basis using various assumptions. The assumptions used in determining the net period cost for employee benefits includes the discount rate, the rate of salary inflation and employee turnover and others. Any changes in these assumptions will impact the net periodic cost recorded for employee benefits. On an annual basis the Company determines those assumptions i.e. the appropriate discount rate, which should represent the interest rate that should be used to determine the present value of future cash flows currently expected to be required to settle the employee benefits. In determining the appropriate discount rate, the Company considers the market yield of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the liability. Other key assumptions are based in part on current market conditions. Additional information is disclosed in Note 17.

5 Capital risk management

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

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

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6 Cash and cash equivalents

	2018	2017
	Baht	Baht
Cash on hand	154,078	158,874
Current accounts	40,504,037	27,598,758
Saving accounts	192,164,854	142,705,569
Total	<u>232,822,969</u>	<u>170,463,201</u>

As at 31 December 2018, the interest rates of saving accounts were 0.20% to 0.38% per annum (2017: 0.20% to 0.38% per annum).

7 Trade accounts receivable, net

	2018	2017
	Baht	Baht
Trade accounts receivable	2,712,436,573	2,493,523,602
<u>Less</u> Allowance for doubtful accounts	<u>(28,160,744)</u>	<u>(8,592,651)</u>
Trade accounts receivable, net	<u>2,684,275,829</u>	<u>2,484,930,951</u>

Outstanding trade accounts receivable can be aged as follows:

	2018	2017
	Baht	Baht
Current balance	1,904,176,464	1,972,057,059
Overdue: less than 1 month	613,762,440	445,010,560
Over 1 month to 3 months	152,997,803	60,381,518
Over 3 months to 6 months	11,099,636	6,788,957
Over 6 months to 12 months	21,559,245	5,555,881
Over 12 months	8,840,985	3,729,627
	<u>2,712,436,573</u>	<u>2,493,523,602</u>
<u>Less</u> Allowance for doubtful accounts	<u>(28,160,744)</u>	<u>(8,592,651)</u>
Trade accounts receivable, net	<u>2,684,275,829</u>	<u>2,484,930,951</u>

The Company has not provided allowance for doubtful accounts to certain accounts receivable which are overdue more than 6 months because these customers have provided bank guarantees to the Company.

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8 Inventories, net

	2018	2017
	Baht	Baht
Raw materials	151,999,335	180,833,130
Finished goods	1,622,598,432	1,494,449,858
Total inventories	1,774,597,767	1,675,282,988
<u>Less</u> Allowance for net realisable value		
- for raw materials	(598,664)	(1,652,685)
- for finished goods	(9,379,884)	(9,270,323)
Inventories, net	<u>1,764,619,219</u>	<u>1,664,359,980</u>

The Company has provided allowance for net realisable value amounting to Baht 9.98 million to raw materials and finished goods for the year ended 31 December 2018 (2017: Baht 10.92 million).

9 Investment property

	Land	
At 31 December	2018	2017
	Baht	Baht
<u>Cost</u>		
Opening net book value	55,729,000	55,729,000
Closing net book value	55,729,000	55,729,000
Fair value	<u>123,395,000</u>	<u>123,395,000</u>

In November 2016 and January to February 2017, the Company engaged an independent appraiser to assess the fair value of investment property by using the Comparison Approach which is based on sales prices of comparable land in close proximity and adjusted for differences in key attributes such as size and shape, location and condition of land. Such information is sufficient for comparison to determine the fair value of the property. As the valuation technique used significant unobservable inputs, the Company classified the fair value measurement as level 3 of fair value hierarchy (Note 3.3).

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10 Property, plant and equipment, net

	Land Baht	Land improvements Baht	Buildings and building improvements Baht	Machineries and equipment Baht	Furniture and fixtures Baht	Trucks and motor vehicles Baht	Construction in progress Baht	Machineries under installation Baht	Total Baht
At 1 January 2017									
Cost	644,942,000	91,643,543	1,121,376,144	1,006,687,913	104,138,580	128,223,846	9,723,652	86,326,268	3,193,061,946
<u>Less</u> Accumulated depreciation	-	(44,662,478)	(388,789,680)	(627,091,855)	(89,915,833)	(55,964,519)	-	-	(1,206,424,365)
Net book value	<u>644,942,000</u>	<u>46,981,065</u>	<u>732,586,464</u>	<u>379,596,058</u>	<u>14,222,747</u>	<u>72,259,327</u>	<u>9,723,652</u>	<u>86,326,268</u>	<u>1,986,637,581</u>
For the year ended 31 December 2017									
Opening net book value	644,942,000	46,981,065	732,586,464	379,596,058	14,222,747	72,259,327	9,723,652	86,326,268	1,986,637,581
Additions	-	-	-	23,899,340	4,831,056	23,855,523	201,112,533	218,048,491	471,746,943
Transfers	-	-	92,118,974	155,387,590	1,970,200	-	(86,729,782)	(162,746,982)	-
Disposals, net	-	-	-	(3,973)	(49,487)	(3,485,666)	-	-	(3,539,126)
Depreciation (Note 21)	-	(3,754,377)	(58,708,352)	(80,532,861)	(6,709,538)	(7,809,191)	-	-	(157,514,319)
Closing net book value	<u>644,942,000</u>	<u>43,226,688</u>	<u>765,997,086</u>	<u>478,346,154</u>	<u>14,264,978</u>	<u>84,819,993</u>	<u>124,106,403</u>	<u>141,627,777</u>	<u>2,297,331,079</u>
At 31 December 2017									
Cost	644,942,000	91,643,543	1,213,495,118	1,184,000,256	108,643,746	138,612,127	124,106,403	141,627,777	3,647,070,970
<u>Less</u> Accumulated depreciation	-	(48,416,855)	(447,498,032)	(705,654,102)	(94,378,768)	(53,792,134)	-	-	(1,349,739,891)
Net book value	<u>644,942,000</u>	<u>43,226,688</u>	<u>765,997,086</u>	<u>478,346,154</u>	<u>14,264,978</u>	<u>84,819,993</u>	<u>124,106,403</u>	<u>141,627,777</u>	<u>2,297,331,079</u>

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

	Land Baht	Land improvements Baht	Buildings and building improvements Baht	Machineries and equipment Baht	Furniture and fixtures Baht	Trucks and motor vehicles Baht	Construction in progress Baht	Machineries under installation Baht	Total Baht
For the year ended 31 December 2018									
Opening net book value	644,942,000	43,226,688	765,997,086	478,346,154	14,264,978	84,819,993	124,106,403	141,627,777	2,297,331,079
Additions	-	-	237,599	13,555,799	6,452,141	29,134,598	314,097,233	350,958,799	714,436,169
Transfers	-	-	98,802,552	255,681,133	50,231	-	(88,471,508)	(266,062,408)	-
Disposals, net	-	-	-	(20)	(670)	(6,540,100)	-	-	(6,540,790)
Depreciation (Note 21)	-	(3,754,378)	(60,478,786)	(90,507,770)	(7,089,878)	(10,359,960)	-	-	(172,190,772)
Closing net book value	<u>644,942,000</u>	<u>39,472,310</u>	<u>804,558,451</u>	<u>657,075,296</u>	<u>13,676,802</u>	<u>97,054,531</u>	<u>349,732,128</u>	<u>226,524,168</u>	<u>2,833,035,686</u>
At 31 December 2018									
Cost									
Less Accumulated depreciation	644,942,000	91,643,543	1,312,535,269	1,452,558,713	114,111,114	149,420,999	349,732,128	226,524,168	4,341,467,934
	-	(52,171,233)	(507,976,818)	(795,483,417)	(100,434,312)	(52,366,468)	-	-	(1,508,432,248)
Net book value	<u>644,942,000</u>	<u>39,472,310</u>	<u>804,558,451</u>	<u>657,075,296</u>	<u>13,676,802</u>	<u>97,054,531</u>	<u>349,732,128</u>	<u>226,524,168</u>	<u>2,833,035,686</u>

Depreciation expenses of Baht 143,160,863 (2017: Baht 129,291,142) and Baht 29,029,909 (2017: Baht 28,223,177) were charged in costs of sales and administrative expenses, respectively.

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

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

	2018 Baht	2017 Baht
Cost - capitalised finance lease	1,680,374	5,179,374
<u>Less</u> Accumulated depreciation	(970,658)	(3,017,218)
Net book value	<u>709,716</u>	<u>2,162,156</u>

11 Intangible assets, net

	Computer software Baht	Computer software during installation Baht	Total Baht
At 1 January 2017			
Cost	54,710,391	2,443,600	57,153,991
<u>Less</u> Accumulated amortisation	(37,272,322)	-	(37,272,322)
Net book value	<u>17,438,069</u>	<u>2,443,600</u>	<u>19,881,669</u>
For the year ended 31 December 2017			
Opening net book value	17,438,069	2,443,600	19,881,669
Additions	612,936	2,631,900	3,244,836
Transfers	312,000	(312,000)	-
Amortisation charge (Note 21)	(5,171,075)	-	(5,171,075)
Closing net book value	<u>13,191,930</u>	<u>4,763,500</u>	<u>17,955,430</u>
At 31 December 2017			
Cost	55,635,327	4,763,500	60,398,827
<u>Less</u> Accumulated amortisation	(42,443,397)	-	(42,443,397)
Net book value	<u>13,191,930</u>	<u>4,763,500</u>	<u>17,955,430</u>
For the year ended 31 December 2018			
Opening net book value	13,191,930	4,763,500	17,955,430
Additions	220,000	11,738,438	11,958,438
Transfers	14,166,438	(14,166,438)	-
Amortisation charge (Note 21)	(6,003,274)	-	(6,003,274)
Closing net book value	<u>21,575,094</u>	<u>2,335,500</u>	<u>23,910,594</u>
At 31 December 2018			
Cost	70,021,765	2,335,500	72,357,265
<u>Less</u> Accumulated amortisation	(48,446,671)	-	(48,446,671)
Net book value	<u>21,575,094</u>	<u>2,335,500</u>	<u>23,910,594</u>

12 Deferred income taxes

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

	2018 Baht	2017 Baht
Deferred tax assets:		
Deferred tax assets to be recovered within 12 months	1,995,710	2,184,602
Deferred tax assets to be recovered more than 12 months	8,762,188	7,395,147
Total deferred tax assets	<u>10,757,898</u>	<u>9,579,749</u>
Deferred tax liabilities:		
Deferred tax liabilities to be recovered within 12 months	(222,511)	-
Deferred tax liabilities to be settled more than 12 months	(956,811)	(988,575)
Total deferred tax liabilities	<u>(1,179,322)</u>	<u>(988,575)</u>
Deferred income taxes, net	<u>9,578,576</u>	<u>8,591,174</u>

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 20% (2017: 20%).

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

	2018 Baht	2017 Baht
As 1 January	8,591,174	6,305,958
Credited to profit and loss (Note 22)	987,402	2,285,216
At 31 December	<u>9,578,576</u>	<u>8,591,174</u>

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

	Allowance for net realisable value Baht	Employee benefits obligations Baht	Total Baht
Deferred tax assets:			
At 1 January 2017	1,526,118	6,119,987	7,646,105
Credited to profit and loss	658,484	1,275,160	1,933,644
At 31 December 2017	2,184,602	7,395,147	9,579,749
(Charged)Credited to profit and loss	(188,892)	1,367,041	1,178,149
At 31 December 2018	<u>1,995,710</u>	<u>8,762,188</u>	<u>10,757,898</u>

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12 Deferred income taxes (Cont'd)

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

	Temporary difference for depreciation Baht	Temporary difference for debenture issuance costs Baht	Total Baht
Deferred tax liabilities:			
At 1 January 2017	(1,340,147)	-	(1,340,147)
Credited to profit and loss	351,572	-	351,572
At 31 December 2017	(988,575)	-	(988,575)
(Charged)Credited to profit and loss	325,315	(516,062)	(190,747)
At 31 December 2018	<u>(663,260)</u>	<u>(516,062)</u>	<u>(1,179,322)</u>

13 Short-term borrowings from financial institutions

	2018 Baht	2017 Baht
Short-terms borrowings from financial institutions	<u>3,567,727,365</u>	<u>3,715,020,075</u>
Total	<u>3,567,727,365</u>	<u>3,715,020,075</u>

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

	2018	2017
Short-term borrowings from financial institutions	1.75% - 2.03%	1.75% - 1.92%
Trust receipts	1.75% - 1.85%	1.80% - 1.85%

As at 31 December 2018, the short-term borrowings from financial institutions were unsecured and due within January to March 2019 (2017: January to March 2018) which normally, can be renewed. The Company has provided the Negative Pledge to the financial institutions.

14 Finance lease liabilities, net

	2018 Baht	2017 Baht
Liabilities due :		
Not later than 1 year	772,000	1,619,080
Later than 1 year but not later than 5 years	-	772,000
	<u>772,000</u>	<u>2,391,080</u>
<u>Less</u> Future finance charges on finance leases	<u>(13,819)</u>	<u>(99,542)</u>
Present value of finance lease liabilities	<u>758,181</u>	<u>2,291,538</u>

14 Finance lease liabilities, net (Cont'd)

The present value of financial lease liabilities is as follows:

	2018 Baht	2017 Baht
Not later than 1 year	758,181	1,533,357
Later than 1 year but not later than 5 years	-	758,181
Present value of financial lease liabilities	<u>758,181</u>	<u>2,291,538</u>

15 Debentures

	2018 Baht
Unsecured bond no. 1/2018	996,567,890
<u>Less</u> Current portion of debentures	<u>(1,479,828)</u>
Debenture payable over 1 year	<u>995,088,062</u>

The movement in debentures during the year is as follows:

For the year ended 31 December 2018

	Baht
Opening book amount	-
Issuance of debentures	1,000,000,000
Amortisation of issuance costs	1,060,486
Deferred issuance costs	<u>(4,492,596)</u>
Closing book amount	<u>996,567,890</u>

On 5 April 2018, the Company issued name-registered, unsubordinated and unsecured debentures totalling 1,000,000 units with the fixed interest of 3.75% per annum payable every 6 months. The issued debentures have the face value of Baht 1,000. The debentures will be redeemed within 3 years after the issuance date for the amount Baht 1,000 million.

The carrying amounts and fair values of certain debentures are as follows:

	Carrying amounts		Fair values	
	2018 Baht	2017 Baht	2018 Baht	2017 Baht
Debentures	996,567,890	-	997,459,960	-

The fair value of current borrowings equal their carrying amount, as the impact of discounting is not significant.

The fair values are based on discounted cash flows using a discount rate based upon the borrowing rate of 3.91% and are within level 2 of the fair value hierarchy.

16 Other payables

	2018	2017
	Baht	Baht
Accrued expenses and other payables	129,673,211	132,697,613
Payable from construction in progress	42,457,211	15,664,784
Retention from construction	4,735,541	8,752,488
Withholding tax payable	2,204,615	1,972,293
Accrued interest expenses	11,698,321	2,502,136
Total	190,768,899	161,589,314

17 Employee benefit obligations

	2018	2017
	Baht	Baht
Statement of financial position		
- Retirement benefits	43,810,941	36,975,735
Statement of Comprehensive Income		
- Retirement benefits	6,835,206	6,375,801

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

	2018	2017
	Baht	Baht
Opening balance	36,975,735	30,599,934
Current service cost	6,110,598	5,776,173
Interest cost	724,608	599,628
Closing balance	43,810,941	36,975,735

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

	2018	2017
	Baht	Baht
Current service cost	6,110,598	5,776,173
Interest cost	724,608	599,628
Total included in staff costs	6,835,206	6,375,801

Of the total charges, Baht 1,913,177 (2017: Baht 1,505,840) and Baht 4,922,029 (2017: Baht 4,869,961) were included in costs of sales and administrative expenses, respectively.

The amounts recognised in other comprehensive income are as follows:

	2018	2017
	Baht	Baht
Cumulative loss on remeasurement	7,503,497	7,503,497

The principal actuarial assumptions used were as follows:

	2018	2017
Discount rate	1.96% per annum	1.96% per annum
Future salary increase rate	5% per annum	5% per annum
Employee turnover rate	0% - 41% per annum	0% - 41% per annum

17 Employee benefit obligations (Cont'd)

Sensitivity analysis for each significant assumption disclose:

	Impact on defined benefit obligations as at 31 December 2018		
	Change in assumption %	Increase in obligations Baht	Decrease in obligations Baht
Discount rate	+1%		(2,346,293)
	-1%	2,626,595	
Future salary increase rate	+1%	3,227,419	
	-1%		(2,922,045)
Employee turnover rate	+1%		(2,562,873)
	-1%	1,375,743	

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

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

Expected maturity analysis of undiscounted retirement benefits:

	Less than a year Baht	Between 1-2 years Baht	Between 2-5 years Baht	Over 5 years Baht	Total Baht
At 31 December 2018					
Retirement benefits	4,489,057	13,967,362	14,166,935	27,657,106	60,280,460

The weighted average duration of the defined benefit obligation is 21.95 years (2017: 22.95 years).

18 Share capital and premium on share capital

	Number of authorised shares	Issued and paid-up ordinary shares Baht	Premium on share capital Baht	Total Baht
At 1 January 2017	436,000,000	435,379,017	427,323,198	862,702,215
Issue of ordinary shares	-	-	-	-
At 31 December 2017	436,000,000	435,379,017	427,323,198	862,702,215
Issue of ordinary shares	-	-	-	-
At 31 December 2018	436,000,000	435,379,017	427,323,198	862,702,215

As at 31 December 2018, the total number of authorised ordinary shares were 436,000,000 shares with a par value of Baht 1 per share (2017: 436,000,000 shares with a par value of Baht 1 per share). The shares of 435,379,017 shares (2017: 435,379,017 shares) were issued and fully paid-up.

19 Promotional privileges

The Company received promotional privileges from the Board of Investment 60-1479-1-04-1-0 dated 28 December 2017 in respect of investment in manufacturing of steels, metal tubes, and metal cutting for an improvement of the production efficiency for alternative energy utilisation. Under these privileges, the Company is exempted from various taxes and duties including exemption from import duties on imported machine and exemption from corporate income tax for the promoted activities in an amount not over than 50% of the investment for an improvement of the production efficiency which excludes investment on land and current assets for a period of three years from the date the promoted operation commenced generating revenue.

Sales classified by BOI promoted activities and non-BOI promoted activities for the year ended 31 December 2018 are as follows;

	BOI promoted activities Baht	Non-BOI promoted activities Baht	Total Baht
Sales	<u>9,268,367,391</u>	<u>8,101,620,433</u>	<u>17,369,987,824</u>

20 Other income

	2018 Baht	2017 Baht
Service income	47,128,277	53,052,371
Interest income	1,955,895	8,123,163
Gain of disposals of equipment	-	1,224,808
Others	830,595	992,343
Total	<u>49,914,767</u>	<u>63,392,685</u>

21 Expenses by nature

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

	2018 Baht	2017 Baht
Staff costs	394,616,785	376,196,064
Depreciation on property, plant and equipment (Note 10)	172,190,772	157,514,319
Amortisation of intangible assets (Note 11)	6,003,274	5,171,075
Selling and marketing expenses	193,980,921	164,974,002
Professional and consultant fees	3,921,239	6,645,564
Rental expenses	17,260,800	17,260,800

22 Income tax expense

	2018	2017
	Baht	Baht
Current tax	52,506,275	157,319,836
Deferred tax (Note 12)	(987,402)	(2,285,216)
Total income tax expense	<u>51,518,873</u>	<u>155,034,620</u>

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

	2018	2017
	Baht	Baht
Profit before income tax	457,402,339	796,072,826
Tax calculated at a tax rate of 20% (2017: 20%)	91,480,468	159,214,565
Tax effect of:		
Income not subject to tax	(36,367,869)	-
Expenses not deductible for tax purpose	2,443,639	1,279,631
Expenses deductible at a greater amount	(6,037,365)	(5,459,576)
Tax charge	<u>51,518,873</u>	<u>155,034,620</u>

23 Basic earnings per share

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

	2018	2017
Profit attributable to shareholders (Baht)	405,883,466	641,038,206
Weighted average number of ordinary shares in issue during the year (Shares)	<u>435,379,017</u>	<u>435,379,017</u>
Basic earnings per share (Baht)	<u>0.93</u>	<u>1.47</u>

There are no potential dilutive ordinary shares in issue during the years ended 31 December 2018 and 2017.

24 Dividends

At the Annual General Shareholders' Meeting held on 5 April 2018, the shareholders approved for the payment of dividends in respect of results of operations for the year 2017 of Baht 1.20 per share for 435,379,017 shares, totalling Baht 522.45 million. The dividends had been paid to the shareholders on 19 April 2018.

At the Annual General Shareholders' Meeting held on 5 April 2017, the shareholders approved for the payment of dividends in respect of results of operations for the year 2016 of Baht 1.50 per share for 435,379,017 shares, totalling Baht 653.07 million. The dividends were paid to the shareholders on 19 April 2017.

25 Legal reserve

	2018 Baht	2017 Baht
Beginning balance	43,600,000	43,600,000
Ending balance	<u>43,600,000</u>	<u>43,600,000</u>

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

26 Contingent liabilities

Letters of guarantee

As at 31 December 2018, the Company had outstanding letters of guarantee of Baht 64.84 million (2017: Baht 64.18 million) issued by a bank for electricity usage and purchases of goods. No liabilities are anticipated to be arisen.

Letters of credits

As at 31 December 2018, the Company had outstanding letters of credits amounting to Baht 3.07 million, US Dollar 0.92 million and Yen 31.85 million in relation to purchases of goods and capitals (2017: US Dollar 3.21 million and Yen 9.72 million in relation to purchases of goods).

27 Commitments

Operating leases

The future minimum lease payments under operating leases arising from the office equipment and vehicles as at 31 December were as follows:

	2018 Baht	2017 Baht
Due within 1 year	8,260,500	17,973,000
Due over 1 year but less than 5 years	<u>3,197,300</u>	<u>10,830,300</u>
Total	<u>11,457,800</u>	<u>28,803,300</u>

Sales commitments

As at 31 December 2018, the Company had outstanding commitments relating to the sales of goods with a fixed selling price totalling Baht 2.50 million (2017: Baht 8.50 million).

Purchase commitments

As at 31 December 2018, the Company had no outstanding commitments relating to the purchases of goods with fixed buying prices (2017: US Dollar 0.20 million).

Capital commitments

As at 31 December 2018, the Company had capital expenditure contracted but not yet recognised of Baht 51.01 million, US dollars 2.40 million and Yen 31.85 million (2017: Baht 163.67 million, US dollars 3.37 million and Yen 9.72 million).

28 Related party transactions

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

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

Major shareholders of the Company are members of Tarasarnsombat family.

The transactions with a related company, Connex Business Online Co., Ltd., arose from purchasing of software programme and using computer system service. Certain shareholders of the Company have significant holding in the shares of Connex Business Online Co., Ltd.

The Company has entered into operating lease agreements of a land and building at Rama III road with 2 directors. The lease agreements are for a period of 3 years from 2016 until 2019, at an agreed price of Baht 2.40 million per year and from 2017 until 2020, at an agreed total price of Baht 3 million per year.

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

(a) Purchases and operating expenses

	2018	2017
	Baht	Baht
Software programmes	2,885,625	-
Computer system service expenses	22,500	286,300
Land and building rental expenses	5,400,000	5,400,000

As at 31 December 2018, the Company had no outstanding account payables to related parties (31 December 2017: Baht 0.04 million).

(b) Directors and managements' remuneration

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

For the years ended 31 December	2018	2017
	Baht	Baht
Short-term benefits	52,751,500	60,451,200
Post-employee benefits	1,719,551	2,172,446
	54,471,051	62,623,646

29 Segment information

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

30 Forward foreign exchange contracts

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

As at 31 December 2018, the Company had open forward foreign exchange contracts which have settlement dates in June 2019 (2017: in July 2018). The amounts to be received and contractual exchange rates of the outstanding contracts are:

	2018	2017
	Baht	Baht
The amounts to be received		
USD 0.80 million (Baht 32.09 - 32.91 per Dollar)	26,079,200	-
USD 1.00 million (Baht 32.76 - 33.05 per Dollar)	-	32,905,000

Net fair values of financial instruments as at the statements of financial position date are as follows:

	2018	2017
	Baht	Baht
Unfavourable forward foreign exchange contracts	<u>(206,336)</u>	<u>(372,592)</u>

The fair values of forward foreign exchange contracts have been calculated based on rates quoted by the Company's bankers to terminate the contracts as at 31 December. This is within level 2 of fair value hierarchy (Note 3.3).

31 Event after the financial statement date

At the Board of Directors' Meeting on 15 February 2019, it passed the resolutions as follows;

1. Approval of a dividend payment of Baht 1.07 per share for 435,379,017 shares, in respect of the 2018 operating results and retained earnings, totaling Baht 465,855,548.19. The dividend payment will be made in ordinary shares for 435,379,017 shares with par value of Baht 1.00 each at the ratio of one existing share for one dividend stock for the total value of Baht 435,379,017. The dividend payout ratio is Baht 1.00 per share, and cash dividends at the rate of Baht 0.07 per share for a total of Baht 30,476,531.19.
2. Approval of a reduction of the registered capital of the Company, from Baht 436,000,000 to Baht 435,379,017, by cutting out the 620,983 ordinary shares that remained from exercising the conversion right of ESOP warrants (ESOP-W) issued in 2008 with a par value of Baht 1.00 each.
3. Approval of an increase in the registered capital of the Company, from Baht 435,379,017 to Baht 870,758,034, by issuing 435,379,017 new ordinary shares with par value of Baht 1.00 each, totaling Baht 435,379,017 that will be allocated as stock dividends to the existing Company shareholders.

These resolutions will be proposed for shareholders' approval at the Annual General Meeting of Shareholders for fiscal year 2019.