

G J STEEL PUBLIC COMPANY LIMITED

Financial Statements

For the Year Ended December 31, 2023

and Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of G J Steel Public Company Limited

Opinion

I have audited the financial statements of G J Steel Public Company Limited ("the Company"), which comprise the statement of financial position as at December 31, 2023, and the statements of comprehensive income, 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 financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Basis for Opinion

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

Key Audit Matter

Key audit matter is the matter that, in my professional judgment, was of most significance in my audit of the financial statements of the current period. This 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 this matter.

| Key Audit Matter Details | Auditor's Approach |
|--|--|
| <p><i>Assessment of impairment loss on property, plant and equipment</i></p> <p>The Company has significant property, plant and equipment which are stated at cost less accumulated depreciation and allowance for impairment losses.</p> <p>The management assesses the impairment test on property, plant and equipment when they have an impairment indication by using the estimated recoverable amounts (the higher asset's selling price or value in use). The recoverable amounts are assessed by the management based on its value in use, determined by discounting future cash flows to be generated from the continuing use of property, plant and equipment and related assumptions such as forecast on industry growth rate, forecast on revenues and steel scrap price spreads margin and forecast on capital expenditures, selling expenses and operating expenses.</p> <p>The management's judgement over key assumptions and discount rate will be affected by changes of future economic and market situation. Hence, I focused on this area.</p> | <ul style="list-style-type: none"> • Understood the process of estimated recoverable amount (the higher asset's selling price or value in use) using for impairment testing. • Evaluated the significant assumptions applied by the management in preparing the cash flow projections including discount rate used to discount future cash flows. • Compared and evaluated the cash flow projections, key assumptions and discount rate to the management's budget and business plan, historical and current actual operations, economic and industries. • Tested calculation of recoverable amounts according to the management's financial models and compared with the carrying values of property, plant and equipment. • Considered the adequacy and appropriateness of disclosures made in notes to financial statements. |

Other Information

Management is responsible for the other information. The other information comprises 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 us after the date of this auditor's report.

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

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines 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, management is 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible 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 Thai Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional 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 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 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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

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

(Ms. Wimolsri Jongudomsombut)
Certified Public Accountant, Registration No. 3899
Baker Tilly Audit and Advisory Services (Thailand) Ltd.
Bangkok
February 21, 2024

G J STEEL PUBLIC COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023

A S S E T S

| | | In Baht | |
|-------------------------------------|--------------|-----------------------|-----------------------|
| | Notes | 2023 | 2022 |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 5 | 2,238,458,235 | 2,215,289,179 |
| Trade account receivables | 6 | 14,839,666 | 59,829,290 |
| Inventories - net | 7, 23 | 1,960,199,805 | 2,217,239,315 |
| Other current assets - net | 4, 8 | 126,805,329 | 144,812,204 |
| Total Current Assets | | 4,340,303,035 | 4,637,169,988 |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment - net | 4, 9, 11, 23 | 8,244,689,537 | 8,601,489,269 |
| Other intangible assets - net | | 5,117,169 | 4,705,704 |
| Other non-current assets - net | 9, 11 | 262,695,882 | 251,197,680 |
| Total Non-Current Assets | | 8,512,502,588 | 8,857,392,653 |
| Total Assets | | 12,852,805,623 | 13,494,562,641 |

G J STEEL PUBLIC COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION (Continued)
AS AT DECEMBER 31, 2023

LIABILITIES AND SHAREHOLDERS' EQUITY

| | | In Baht | |
|--|-------|-----------------------|-----------------------|
| | Notes | 2023 | 2022 |
| CURRENT LIABILITIES | | | |
| Trade account payables | 12 | 124,424,605 | 236,856,488 |
| Other payables and accrued expenses | 4, 13 | 339,024,847 | 370,520,734 |
| Advances received from customers | | 5,606,379 | 12,783,871 |
| Accrued interest expense | | 8,658,885 | 9,816,287 |
| Liabilities from terminated rehabilitation plan | 14 | - | 3,814,355 |
| Current portion of lease liabilities | | 4,501,679 | 4,338,676 |
| Other current liabilities | | 5,480,694 | 4,322,628 |
| Total Current Liabilities | | 487,697,089 | 642,453,039 |
| NON-CURRENT LIABILITIES | | | |
| Lease liabilities - net | | 3,451,101 | 5,461,537 |
| Non-current provision for employee retirement benefit | 15 | 163,853,489 | 143,891,366 |
| Total Non-Current Liabilities | | 167,304,590 | 149,352,903 |
| TOTAL LIABILITIES | | 655,001,679 | 791,805,942 |
| SHAREHOLDERS' EQUITY | | | |
| Share capital | | | |
| - Authorized share capital, ordinary share 28,750,859,116 shares at Baht 0.96 par value | | 27,600,824,751 | 27,600,824,751 |
| - Issued and paid-up share capital, ordinary share 25,487,134,896 shares at Baht 0.96 per share | | 24,467,649,500 | 24,467,649,500 |
| Discount on ordinary shares | | (9,667,487,640) | (9,667,487,640) |
| Retained earnings (deficit) | | | |
| - Appropriated for legal reserve | 16 | 37,000,000 | 37,000,000 |
| - Deficit | | (2,949,039,134) | (2,444,086,379) |
| Other components of equity | 17 | 309,681,218 | 309,681,218 |
| Shareholders' Equity - Net | | 12,197,803,944 | 12,702,756,699 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 12,852,805,623 | 13,494,562,641 |

G J STEEL PUBLIC COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2023

| | | In Baht | |
|---|--------|-----------------------|------------------------|
| | Notes | 2023 | 2022 |
| REVENUES | | | |
| Revenue from sales - net | 4, 25 | 12,481,732,344 | 17,402,805,134 |
| Gain on foreign exchange - net | | 12,686,975 | - |
| Write-back expired legal prescription of liabilities - net | 14 | 8,319,662 | 42,985,693 |
| Other income | 4 | 94,143,107 | 74,202,252 |
| Total Revenues | | 12,596,882,088 | 17,519,993,079 |
| EXPENSES | | | |
| Cost of sales | 19 | | |
| - Cost of goods sold | 4 | 12,266,967,045 | 16,101,608,780 |
| - Idle cost | | 129,406,177 | 44,994,305 |
| - Loss on decline in value of inventories (reversal) | | (35,010,231) | 56,195,650 |
| Total Cost of Sales | | 12,361,362,991 | 16,202,798,735 |
| Selling expenses | 19 | 141,570,011 | 167,077,341 |
| Administrative expenses | 4, 19 | 583,924,925 | 630,623,619 |
| Impairment losses on unusable machines held for sale | 11, 19 | - | 3,617,000,000 |
| Loss on foreign exchange - net | 19 | - | 6,068,160 |
| Finance costs | | 1,707,876 | 3,132,296 |
| Total Expenses | | 13,088,565,803 | 20,626,700,151 |
| Loss before Tax | | (491,683,715) | (3,106,707,072) |
| Tax expense | 10 | - | (29,231,263) |
| LOSS FOR THE YEAR | | (491,683,715) | (3,135,938,335) |
| Other Comprehensive Loss: | | | |
| Item that will not be reclassified subsequently on profit or loss: | | | |
| Actuarial losses | 15 | (13,269,040) | - |
| TOTAL COMPREHENSIVE LOSS FOR THE YEAR | | (504,952,755) | (3,135,938,335) |
| Basic Loss per Share | 20 | (0.019) | (0.123) |

G J STEEL PUBLIC COMPANY LIMITED
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2023

| | In Baht | | | | |
|--|--|--------------------------------|--|-----------------------------|-------------------------------|
| | Issued and Paid-up Share Capital | Discount on Ordinary Shares | Retained Earnings (Deficit) Appropriated for Legal Reserve | Unappropriated (Deficit) | Other Components of Equity |
| | | | | | Net |
| Balance as at January 1, 2022 | 24,467,649,500 | (9,667,487,640) | 37,000,000 | 691,851,956 | 309,681,218 |
| Total comprehensive loss for the year | - | - | - | (3,135,938,335) | - |
| Balance as at December 31, 2022 | 24,467,649,500 | (9,667,487,640) | 37,000,000 | (2,444,086,379) | 309,681,218 |
| Total comprehensive loss for the year | - | - | - | (504,952,755) | - |
| Balance as at December 31, 2023 | 24,467,649,500 | (9,667,487,640) | 37,000,000 | (2,949,039,134) | 309,681,218 |

G J STEEL PUBLIC COMPANY LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

| | In Baht | |
|--|--------------------|----------------------|
| | 2023 | 2022 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Loss for the year | (491,683,715) | (3,135,938,335) |
| Adjustments to reconcile loss for the year to net cash provided by operating activities: | | |
| Depreciation and amortization | 530,134,445 | 519,115,116 |
| Work roll amortization | 66,360,033 | 76,977,130 |
| Interest income | (28,608,847) | (4,737,593) |
| Finance costs | 1,707,876 | 3,132,296 |
| Tax expense | - | 29,231,263 |
| Write-off expired legal prescription of liabilities - net | (8,319,662) | (42,985,693) |
| Unrealized gain on foreign exchange - net | (352,445) | (655,521) |
| Allowance for decline in value of inventories (reversal) | (35,010,231) | 56,195,650 |
| Provision for employee retirement benefit | 11,262,483 | 11,154,389 |
| Loss on sales of fixed assets | 8,089,244 | 28,401,534 |
| Loss on write-off of fixed assets | 43,726,009 | 80,831,307 |
| Allowance for impairment losses on unusable machines held for sale | - | 3,617,000,000 |
| Decrease (Increase) in Operating Assets: | | |
| Trade account receivables | 44,989,624 | (59,829,290) |
| Inventories | 292,049,741 | 515,652,170 |
| Other current assets | 19,891,896 | (27,946,157) |
| Other non-current assets | (77,858,235) | 116,506,422 |
| Increase (Decrease) in Operating Liabilities: | | |
| Trade account payables | (112,277,089) | (33,060,429) |
| Advances received from customers | (5,100,464) | 7,501,341 |
| Other payables and accrued expenses | 64,718,672 | (35,412,235) |
| Other current liabilities | 1,158,066 | (4,511,070) |
| Employee retirement benefit paid | (4,569,400) | (769,547) |
| Income tax paid | - | (100,503,088) |
| Net Cash Provided by Operating Activities | 320,308,001 | 1,615,349,660 |

G J STEEL PUBLIC COMPANY LIMITED
STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2023

| | In Baht | |
|---|----------------------|----------------------|
| | 2023 | 2022 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of property, plant and equipment | (317,750,133) | (211,811,696) |
| Purchases of other intangible assets | (1,156,240) | (1,800,000) |
| Proceeds from sales of fixed assets | 59,430 | 1,375,840 |
| Proceeds from sales of machinery under suspended construction in progress | - | 12,000,000 |
| Interest received | 26,723,826 | 4,737,593 |
| Net Cash Used in Investing Activities | (292,123,117) | (195,498,263) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Repayment of lease liabilities | (4,510,364) | (4,517,582) |
| Finance costs paid | (436,999) | (418,216) |
| Cash Used in Financing Activities | (4,947,363) | (4,935,798) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 23,237,521 | 1,414,915,599 |
| CASH AND CASH EQUIVALENTS, AT BEGINNING OF YEAR | 2,215,289,179 | 800,466,397 |
| Effect of exchange rate changes on cash and cash equivalents held in foreign currencies | (68,465) | (92,817) |
| CASH AND CASH EQUIVALENTS, AT END OF YEAR | 2,238,458,235 | 2,215,289,179 |

G J STEEL PUBLIC COMPANY LIMITED
STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2023

| | In Baht | |
|--|--------------|-------------|
| | 2023 | 2022 |
| Additional cash flow information : | | |
| 1) Property, plant and equipment increased by means of : | | |
| - Other account payables - net | (95,948,443) | 96,970,147 |
| - Lease liabilities | 2,662,931 | 12,796,687 |
| - Cash payments | 317,750,133 | 211,811,696 |
| Total | 224,464,621 | 321,578,530 |
| 2) Write-off inventories | - | 1,656,492 |
| 3) From write-back expired legal prescription of liabilities - net : | | |
| - Decrease in liabilities from terminated rehabilitation plan | 3,814,355 | 17,275,275 |
| - Decrease in accrued interest expense | 2,428,279 | 16,213,072 |
| - Decrease in advances received from customers | 2,077,028 | - |
| - Decrease in trade account payables | - | 3,494,105 |
| - Decrease in other payables and accrued expenses | - | 6,073,241 |
| - Decrease in other current assets | - | (70,000) |
| Total | 8,319,662 | 42,985,693 |

G J STEEL PUBLIC COMPANY LIMITED**Notes to Financial Statements****December 31, 2023**

| Note | Contents |
|-------------|---|
| 1 | General information and the shareholding structure |
| 2 | Basis of preparation of the financial statements |
| 3 | Significant accounting policies |
| 4 | Transactions with related parties |
| 5 | Cash and cash equivalents |
| 6 | Trade account receivables |
| 7 | Inventories - net |
| 8 | Other current assets - net |
| 9 | Property, plant and equipment - net |
| 10 | Deferred tax |
| 11 | Other non-current assets - net |
| 12 | Trade account payables |
| 13 | Other payables and accrued expenses |
| 14 | Liabilities from terminated rehabilitation plan |
| 15 | Non-current provision for employee retirement benefit |
| 16 | Legal reserve |
| 17 | Other components of equity |
| 18 | Registered provident fund |
| 19 | Expenses by nature |
| 20 | Basic loss per share |
| 21 | Disclosure of financial instruments |
| 22 | Operating segments |
| 23 | Commitments and contingent liabilities |
| 24 | Credit facilities for operation |
| 25 | Promotion privileges |
| 26 | Thai financial reporting standards announced in the Royal Gazette but not yet effective |

G J STEEL PUBLIC COMPANY LIMITED
Notes to Financial Statements (Continued)
December 31, 2023

The financial statements were approved and authorized for issue by the Board of Directors on February 21, 2024.

1. GENERAL INFORMATION AND THE SHAREHOLDING STRUCTURE

1.1 General information

G J Steel Public Company Limited (“the Company”) is incorporated in Thailand and has its registered office as follows:

Head office : 88 Paso Tower, 24th Floor, Silom Road, Suriyawong, Bangrak, Bangkok

Factory : 358 Moo 6, WHA Chonburi Industrial Estate 1 Highway 331, Tambol Bowin, Amphur Sriracha, Chonburi

The Company was listed on the Stock Exchange of Thailand (the “SET”) on July 2, 1996.

The principal activities of the Company are the manufacturing and distribution of hot rolled coil steel products.

1.2 The shareholding structure

Thus, the Company’s major shareholders are as follows:

| Shareholders’ Name | Proportionate of shares (%) | |
|--|-----------------------------|-------|
| | 2023 | 2022 |
| Asia Credit Opportunities I (Mauritius) Limited (“ACO I”) - incorporated in the Republic of Mauritius | 40.45 | 40.45 |
| G Steel Public Company Limited (“G Steel”) | 8.24 | 8.24 |
| Nippon Steel Corporation (“NSC”) | 7.70 | 7.70 |
| Thai R.T.N.T. Holding Co., Ltd. | 4.97 | 4.88 |
| Ms. Arunsri Ratanathayaporn | 4.83 | 4.80 |
| Superior Overseas (Thailand) Company Limited | 1.62 | 1.62 |
| GS Securities Holdings Co., Ltd. (“GS Securities”) GS Securities are 99.99% owned by G Steel | 1.21 | 1.21 |

As at December 31, 2023 and 2022, the Company’s ultimate parent company is Nippon Steel Corporation and is incorporated in Japan, whose shares are listed on the Stock Exchanges in Japan.

2. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

The statutory financial statements are prepared in Thai Baht and in the Thai language in conformity with Thai Financial Reporting Standards. Accordingly, the accompanying financial statements are intended solely to present the financial position, financial performance and cash flows in accordance with Thai Financial Reporting Standards.

For convenience of the readers, an English translation of the financial statements has been prepared from the Thai language statutory financial statements, which are issued solely for domestic financial reporting purposes.

Accounting standards that became effective in the current accounting period

The Company disclosed the accounting standards, financial reporting standards, accounting standard interpretations and financial reporting standard interpretations that are effective for fiscal years beginning on or after January 1, 2023, in the Note 3.

The Company’s management has assessed the effects of the revised accounting standards, financial reporting standards, accounting standard interpretations and financial reporting standard interpretations, and considers that they do not have a significant impact to the financial statements for the year ended December 31, 2023.

G J STEEL PUBLIC COMPANY LIMITED
Notes to Financial Statements (Continued)
December 31, 2023

3. SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

Cash on hand is kept for general use within the Company. Cash equivalents are savings deposits and current accounts, highly liquid investment that are readily convertible to known amount of cash and that are subject to an insignificant risk of change in value.

Accounts Receivable and Allowance for Expected Credit Losses

Accounts receivable are stated at amortized cost net of allowance for expected credit losses ("ECL") (if any).

The Company applies a simplified approach in calculating ECL for trade receivables. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECL at each reporting date. It is based on its historical credit loss experience and adjusted for forward-looking factors specific to the debtors and the economic environment.

Inventory Valuation

The Company values its inventories at the lower of cost (average cost method) and net realizable value.

Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work-in-process, cost includes an appropriate share of overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated production cost to complete and selling expenses.

The Company provides an allowance for all deteriorated, damaged, obsolete and slow-moving inventories.

Property, Plant and Equipment and Depreciation

Land is stated at cost less allowance for impairment losses. Plant and equipment are stated at cost less accumulated depreciation and allowance for impairment losses. When assets are sold or retired, their cost and accumulated depreciations are eliminated from the accounts and any gain or loss resulting from their disposal is included in profit or loss.

Depreciation of plant and equipment is calculated by reference to their costs on a straight-line basis over the following estimated useful lives:

| | <u>Years</u> |
|--|--------------|
| Land improvements | 5 - 20 |
| Buildings and building improvements | 5 - 44 |
| Machinery and equipment | 5 - 42 |
| Furniture, fixtures and office equipment | 5 - 10 |
| Vehicles | 5 |

The Company does not depreciate on freehold land or assets under construction.

Depreciation method, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

G J STEEL PUBLIC COMPANY LIMITED
Notes to Financial Statements (Continued)
December 31, 2023

Right-of-Use Assets and Depreciation

Right-of-use assets are recognized at the commencement date of the leases. Right-of-use assets are stated at cost less accumulated depreciation and allowance for impairment losses (if any), and adjusted for any remeasurement of lease liabilities (if any). The cost of right-of-use assets include the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date, less any lease incentives received.

The costs of right-of-use assets also include an estimate of costs to be incurred by the lessee in dismantling and removing the underlying assets, restoring the site on which they are located or restoring the underlying assets to the condition required by the terms and conditions of the lease.

Depreciation of right-of-use assets are calculated by reference to their costs on a straight-line basis over the shorter of the remaining lease term and the estimated useful lives:

| | <u>Years</u> |
|----------|--------------|
| Vehicles | 2 - 4 |

Unusable machines are classified held for sale

Unusable machines are classified as held for sale are measured at the lower of their carrying amount and fair value less cost to sell. Subsequent gains and losses on remeasurement are recognized in profit or loss.

Other Intangible Assets and Amortization

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortization and allowance for impairment losses (if any).

Amortization is charged to profit or loss on a straight-line basis from the date that intangible assets are available for use over the estimated useful lives of the assets, unless such lives are indefinite. The estimated useful lives are as follows:

| | <u>Years</u> |
|---------------------|--------------|
| Software licenses | 5 - 10 |
| Production licenses | 25 |

Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Deferred Costs of Rolls

Deferred costs of rolls are stated at cost less accumulated amortization. Amortization is based on consumption.

Impairment of Assets

The Company reviews the impairment of assets whenever events or changes in circumstances indicate that the recoverable amount (the higher of asset's selling price or value in use) of assets is below the carrying amount. The review is made for individual assets or for the cash-generating unit.

If the carrying value of an asset exceeds its recoverable amount, the Company recognizes the impairment losses by reducing the carrying value of the asset to its recoverable amount and recording the devaluation in statement of comprehensive income or reducing revaluation increment in assets in case that those assets were previously revalued. The reversal of impairment losses recognized in prior years is recorded as part of other income or as a revaluation increment in assets when there is an indication that the impairment losses recognized for the assets no longer exist or are decreased. Such a reversal should not exceed the carrying amount that would have been determined (net of the associated depreciation or amortization).

G J STEEL PUBLIC COMPANY LIMITED
Notes to Financial Statements (Continued)
December 31, 2023

Interest-bearing liabilities

Interest-bearing liabilities are recognized at fair value net of transaction costs and classified as financial liabilities to be subsequently measured at amortized cost using the effective interest rate (“EIR”) method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. In determining amortized cost, the Company takes into account any discounts or premiums on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance costs in profit or loss.

Provision

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. A provision is reviewed at the statement of financial position date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Provision for Employee Retirement Benefit

Provision for employee retirement benefit is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods by the projected unit credit method determined by a professionally qualified independent actuary. The projected unit credit method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Past service costs and gains or losses on the curtailment are recognized immediately in profit or loss. Gains or losses on the curtailment or settlement of pension benefits are recognized when the curtailment or settlement occurs. Actuarial gains or losses are recognized immediately to comprehensive income. The defined benefit obligations are measured at the present value of estimated future cash flows using a discount rate that is similar to the government bonds.

Use of Judgements and Estimates

In order to prepare financial statements in conformity with Thai Financial Reporting Standards in Thailand, the management needs to make estimates and set assumptions that affect income, expenditure, assets and liabilities in order to disclose information on the valuation of assets, liabilities and contingent liabilities. Actual outcomes may, therefore, differ from the estimates used.

The estimates and underlying assumptions used in the preparation of these financial statements are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is leases.

Assumptions and estimation uncertainties

Information about significant areas of estimation uncertainties that have a significant risk of resulting in material adjustments to the amounts recognized in the financial statements consists of the following:

- Net realizable value of inventories
- Current and deferred taxation
- Utilization of tax losses
- Key assumptions used in discounted cash flow projections
- Measurement of provision for employee retirement benefit
- Provisions and contingencies
- Valuation of financial instruments
- Determination of impairment of assets

G J STEEL PUBLIC COMPANY LIMITED
Notes to Financial Statements (Continued)
December 31, 2023

Revenue Recognition

To determine whether to recognize revenue, the Company follows a 5-step process:

- 1) Identifying the contract with a customer
- 2) Identifying the performance obligations
- 3) Determining the transaction price
- 4) Allocating the transaction price to the performance obligations
- 5) Recognizing revenue when/as performance obligations are satisfied.

Revenue is recognized either at a point in time or over time, when (or as) the Company satisfies performance obligations by transferring the promised goods or services to its customers.

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

Sale of goods and services

Revenue from sales of goods is 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. Revenue from rendering of services is recognized over time as services are provided.

Interest income

Interest income is recognized on a time proportion basis that reflects the effective yield on the asset.

Other income

Other income is recognized as income on an accrual basis.

Repair and Maintenance

Expenditures on repair and maintenance are charged to expense at the expenditures are incurred. Expenditures of a capital nature are added to the related plant and equipment.

Leases

At inception of contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company (as a lessee) assesses the lease term for the non-cancellable period as stipulated in lease contract or the remaining period of active leases at the date of initial application together with any period covered by an option to extend the lease if it is reasonably certain to be exercised or any periods covered by an option to terminate the lease if it is reasonably certain not to be exercised.

Leases are recognized as assets (right-of-use assets) and liabilities for all leases with a term of more than 12 months, unless the underlying asset is low value.

The Company applies the short-term lease recognition exemption to its short-term leases (those leases that have a lease term of 12 months or less from the commencement date and not contain a purchase option). The Company also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense in profit or loss on a straight-line basis over the lease term.

G J STEEL PUBLIC COMPANY LIMITED
Notes to Financial Statements (Continued)
December 31, 2023

Lease liabilities

At the commencement date of the lease, lease liabilities are stated at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable (if any) and amount expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate, which is determined by referring to the government bond yield adjusted with risk premium depending on the lease term, at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities are increased to reflect the accretion of the interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities are remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying assets.

Financial Instruments

The Company initially measures financial assets at its fair value plus, in the case of financial assets that are not measured at fair value through profit or loss, transaction costs. However, trade receivables, that do not contain a significant financing component, are measured at the transaction price as disclosed in the accounting policy relating to revenue recognition.

• *Classification and measurement of financial assets*

Financial assets are classified, at initial recognition, as financial assets subsequently measured at amortized cost, fair value through other comprehensive income (“FVOCI”), or fair value through profit or loss (“FVTPL”). The classification of financial assets at initial recognition is driven by the Company’s business model for managing the financial assets and the contractual cash flows characteristics of the financial assets.

Financial assets at amortized cost

The Company measures financial assets at amortized cost if the financial asset is held in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate (“EIR”) method and are subject to impairment assessment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial assets designated at FVOCI (equity instruments)

Upon initial recognition, the Company can elect to irrevocably classify its equity investments which are not held for trading as equity instruments designated at FVOCI, which cannot subsequently be reclassified. The classification is determined on an instrument-by-instrument basis. Gains and losses recognized in other comprehensive income on these financial assets are never subsequently recycled to profit or loss.

Dividends on these investments are recognized as other income in profit or loss, except when the dividends clearly represent a recovery of part of the cost of the financial asset, in which case, the gains are recognized in other comprehensive income.

Equity investments designated at FVOCI are not subject to impairment assessment.

G J STEEL PUBLIC COMPANY LIMITED
Notes to Financial Statements (Continued)
December 31, 2023

Financial assets at FVTPL

Financial assets measured at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognized in profit or loss.

These financial assets include derivatives, security investments held for trading, equity investments which the Company has not irrevocably elected to classify at FVOCI and financial assets with cash flows that are not solely payments of principal and interest.

Dividends on market securities are recognized as other income in profit or loss.

- ***Classification and measurement of financial liabilities***

Except for derivative liabilities, at initial recognition, the Company's financial liabilities are recognized at fair value net of transaction costs and classified as financial liabilities to be subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. In determining amortized cost, the Company takes into account any discounts or premiums on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance costs in profit or loss.

- ***Derecognition of financial instruments***

A financial asset is primarily derecognized when the rights to receive cash flows from the asset have expired or have been transferred and either the Company has transferred substantially all the risks and rewards of the asset, or the Company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

- ***Impairment of financial assets***

The Company recognizes an allowance for expected credit losses ("ECL") for all debt instruments not held at FVTPL. ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECL is provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the financial instruments (a lifetime ECL).

For trade account receivables, the Company applies a simplified approach in calculating ECL. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECL at each reporting date. It is based on its historical credit loss experience and adjusted for forward-looking factors specific to the debtors and the economic environment.

A financial asset is written-off when there is no reasonable expectation of recovering the contractual cash flows.

- ***Offsetting of financial instruments***

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

G J STEEL PUBLIC COMPANY LIMITED
Notes to Financial Statements (Continued)
December 31, 2023

Fair Value Measurement

The Company uses the market approach to measure its assets and liabilities that are required to be measured at fair value by relevant financial reporting standards, except that the cost approach or income approach is used when there is no active market or a quoted market price is not available.

The different levels have been defined as follows:

- Level 1 - Use of quoted market prices in an observable active market for such assets or liabilities
- Level 2 - Use of other observable inputs for such assets or liabilities, whether directly or indirectly
- Level 3 - Use of unobservable inputs for such assets or liabilities, such as uses prices and other relevant information generated by market transactions involving identical or comparable (similar) assets, liabilities, or a group of assets and liabilities, or estimates of future cash flows.

Finance Costs

Interest expense and similar costs are charged to profit or loss for the period in which they are incurred, except to the extent that they are capitalized as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale. The interest component of lease payments is recognized in the profit or loss using the effective interest rate method.

Foreign Currency Transactions

Foreign currency transactions during the year are translated into Baht at the rates prevailing at the date of transactions. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated into Baht at the prevailing rates at that date. Gains or losses on translation are credited or charged to current operations in profit or loss.

Income Tax

The income tax charge is based on profit for the year and considers deferred taxation. Deferred taxes reflect the net tax effects of temporary differences between the tax basis of an asset or liability and its carrying amount in the statement of financial position. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the statement of financial position date, to recover or settle the carrying amount of their assets and liabilities.

Deferred tax assets are recognized when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilized. At each statement of financial position date, the Company re-assesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The Company conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of these deferred tax assets to be utilized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Basic Loss per Share

Basic loss per share is determined by dividing the loss for the year by the weighted average number of shares outstanding during the year.

Segment Reporting

Segment results that are reported to the Company's CEO (the chief operating decision maker) include items directly attributable to a segment as well as those can be allocated on a reasonable basis.

G J STEEL PUBLIC COMPANY LIMITED
Notes to Financial Statements (Continued)
December 31, 2023

4. TRANSACTIONS WITH RELATED PARTIES

For the purposes of these financial statements, connected persons or related parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Connected persons or related parties may be individuals or other entities.

Relationships with related parties were as follows:

| Name of entities | Country of incorporation | Type of business | Nature of relationships |
|--|--------------------------|--|---|
| Nippon Steel Corporation (“NSC”) | Japan | Steelmaking and steel fabrication, engineering and construction, chemicals and materials, and system solutions | Indirect ultimate shareholder |
| Asia Credit Opportunities I (Mauritius) Limited (“ACO I”) | Republic of Mauritius | Special-purpose for investment | Major shareholder and a subsidiary of NSC |
| Nippon Steel Trading Corporation | Japan | Sales and imports/export of steel, industrial supply and infrastructure, textiles, foodstuffs, and others | Subsidiary of NSC |
| Nippon Steel Trading (Thailand) Co., Ltd. | Thailand | Wholesale of iron, steel and non-ferrous metal in primary forms | Subsidiary of NSC |
| Nippon Steel Southeast Asia Co., Ltd. (“NSSEA”) | Thailand | Regional Operating Headquarters | Subsidiary of NSC |
| NS-Siam United Steel Co., Ltd. | Thailand | Manufacture and sale of steel | Subsidiary of NSC |
| Thai Nippon Steel Engineering & Construction Corporation Co., Ltd. | Thailand | Construction | Subsidiary of NSC |
| NS BlueScope (Thailand) Ltd. | Thailand | Manufacture and sale of steel | Associate of NSC |
| Siam Nippon Steel Logistics Co., Ltd. | Thailand | Shipping and forwarding agents | Subsidiary of NSC |
| Thai NS Solution Co., Ltd. | Thailand | Sale and service of computer program (excluding web pages and network) | Subsidiary of NSC |
| Krosaki Harima Corporation | Japan | Manufacture and sale of refractories | Subsidiary of NSC |
| Nippon Steel Research Institute Corporation | Japan | Researching on technology, market, economy trends, and intellectual property and support for sales public relations and human resource development | Subsidiary of NSC |
| G Steel Public Company Limited (“G Steel”) | Thailand | Manufacture and sale of steel | Same indirect ultimate shareholder |
| Siam Professional Holding Co., Ltd. (“SPH”) | Thailand | Holding company | Subsidiary of G Steel |
| GS Securities Holding Co., Ltd. (“GS Securities”) | Thailand | Special-purpose restructuring entity | Subsidiary of G Steel |
| JSSR Logistics Co., Ltd. | Thailand | Freight forwarding and custom agent | Related party of the shareholder of the Company |

G J STEEL PUBLIC COMPANY LIMITED
Notes to Financial Statements (Continued)
December 31, 2023

| Name of entities | Country of incorporation | Type of business | Nature of relationships |
|--------------------------|--------------------------|------------------|--|
| Key management personnel | - | - | Persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the Company |

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

| Transactions | Pricing policies |
|---------------------------|---|
| Sale of finished goods | Mutually agreed prices with reference to market prices |
| Sale of raw materials | Cost plus margin and mutually agreed prices with reference to market prices |
| Purchase of raw materials | Mutually agreed prices with reference to market prices |
| Purchases of consumables | Mutually agreed prices with reference to market prices |
| Purchase of fixed assets | Mutually agreed prices with reference to market prices |
| Other expenses | Contractual rates |

Significant transactions for each of years ended December 31, 2023 and 2022 with related parties were as follows:

| | In Million Baht | |
|---------------------------------------|-----------------|------|
| | 2023 | 2022 |
| Related parties | | |
| Sale of finished goods | 135 | 45 |
| Sale of raw materials | - | 49 |
| Purchase of raw materials | 241 | 616 |
| Purchase of consumables | 2 | - |
| Other expenses | 5 | 3 |
| Purchase of fixed assets | 1 | 24 |
| Key management personnel | | |
| Key management personnel compensation | | |
| Short-term benefits | 32 | 30 |
| Long-term benefits | 0.3 | 0.3 |

Balances as at December 31, 2023 and 2022 with related parties were as follows:

| | Note | In Million Baht | |
|--|------|-----------------|------|
| | | 2023 | 2022 |
| Other current assets | 8 | | |
| Prepaid expenses and others - Related party | | 4 | - |
| Other payables and accrued expenses | 13 | | |
| Other payable - Related parties | | 3 | 2 |
| Accrued incentive bonus program - Key management personnel | | 1 | 1 |
| Total | | 4 | 3 |

G J STEEL PUBLIC COMPANY LIMITED
Notes to Financial Statements (Continued)
December 31, 2023

Significant agreement with related parties

Technical Service Contract

On September 1, 2022, the Company entered into a Technical Service Contract with a local related company to obtain services relating to maintenance training, safety programs, inspection of measuring instruments by specialist, supervision/advice by specialist, laboratory testing and analysis, for which the service fee shall be charged base on contractual prices. The contract is valid for a period of 1 year ending on August 31, 2023 and shall automatically be renewed for 1 year each unless either party gives the other party at least 90 days written termination notice prior to the end of the initial or renewal term.

Technical Service Framework Agreement

On February 6, 2023, the Company entered into a Technical Service Framework Agreement with a foreign related party to obtain services relating to research and development support in providing certain technical services and related license of proprietary technology, know-how, patents, and software in foreign related company's possession, for which the service fee shall be charged based on contractual prices. The agreement is valid for a period of 3 years ending on February 5, 2026, and shall automatically be renewed for 1 year each unless either party gives the other party at least 60 days written termination notice prior to the end of the initial or renewal term.

Cash Management Service Agreement

On September 9, 2022, the Company entered into a Cash Management Service Agreement with a local related company, whereby such related company will provide loan credit facility of Baht 500 million to supply fund for the cash flow to the Company in case of insufficient funds in the Company's bank accounts as specified in the agreement at the end of any business day. The repayment of such drawdown will be made on the beginning of the following business day and the interest will be charged at the rate agreed in the agreement. The credit facility will be matured on March 31, 2023 and shall automatically be renewed for 1 year each unless either party gives the other party at least 30 days written termination notice prior to the end of the initial or renewal term.

Toll Pickling Service Agreement

On January 23, 2023, the Company entered into a Toll Pickling Service Agreement with a local related party to obtain services relating to cleaning and inspection of the defect of hot rolled coil's surface. The service fee shall be charged based on contractual prices. The contract is valid for a period of 1 year ending on January 22, 2024.

Other Agreement

In the past during year 2013, the Company entered into a memorandum with Oriental Access Co., Ltd. ("OAC") to accept the liabilities from the compromised debt agreement totalling Baht 25.08 million, and the Company has already paid to OAC an amount of Baht 11.63 million, and outstanding debts remained at Baht 13.45 million. Subsequently on August 31, 2020, the Central Bankruptcy Court had ordered OAC bankrupt. However, the bankruptcy proceeding is under the official receiver who will take further action regarding the balance amount due. Therefore, the Company recorded such debts in the statement of financial position as at December 31, 2023 and 2022.

G J STEEL PUBLIC COMPANY LIMITED
Notes to Financial Statements (Continued)
December 31, 2023

5. CASH AND CASH EQUIVALENTS

| | In Million Baht | |
|--|-----------------|-------|
| | 2023 | 2022 |
| Cash in banks - Savings account | 538 | 1,015 |
| Cash in bank - Fixed deposit account not over 3 months | 1,700 | 1,200 |
| Total | 2,238 | 2,215 |

The currency denomination of cash and cash equivalents as at December 31, 2023 and 2022 were as follows:

| | In Million Baht | |
|-----------------------|-----------------|-------|
| | 2023 | 2022 |
| Thai Baht | 2,235 | 2,212 |
| United States Dollars | 3 | 3 |
| Total | 2,238 | 2,215 |

6. TRADE ACCOUNT RECEIVABLES

| | In Million Baht | |
|---------------|-----------------|------|
| | 2023 | 2022 |
| Other parties | 15 | 60 |

Aging analyses for trade account receivables were as follows:

| | In Million Baht | |
|---------------------|-----------------|------|
| | 2023 | 2022 |
| Overdue | | |
| - Not over 3 months | 15 | 60 |

The normal sales terms granted by the Company are cash advance and credit not over 7 working days for domestic sales, and cash advance and letter of credit at sight for export sales.

The currency denomination of trade accounts receivable as at December 31, 2023 and 2022 was as follows:

| | In Million Baht | |
|-----------|-----------------|------|
| | 2023 | 2022 |
| Thai Baht | 15 | 60 |

G J STEEL PUBLIC COMPANY LIMITED
Notes to Financial Statements (Continued)
December 31, 2023

7. INVENTORIES - Net

| | In Million Baht | |
|--|-----------------|-------|
| | 2023 | 2022 |
| Finished goods | 601 | 874 |
| Raw materials | 625 | 625 |
| Consumables | 170 | 206 |
| Spare parts | 550 | 452 |
| Goods in transit | 35 | 116 |
| Total | 1,981 | 2,273 |
| Less: Allowance for decline in value of inventories | (21) | (56) |
| Net | 1,960 | 2,217 |
| Allowance for decline in value of inventories during the year (reversal) | (35) | 54 |
| Write-off inventories during the year | - | 2 |

8. OTHER CURRENT ASSETS - Net

| | In Million Baht | |
|---|-----------------|------|
| | 2023 | 2022 |
| Advances to suppliers - other parties | 21 | 32 |
| Less: Allowance for impairment losses | (10) | (10) |
| | 11 | 22 |
| Refundable prepaid corporate income tax | 68 | 71 |
| Suspense input tax | 11 | 11 |
| Prepaid expenses and others | | |
| - Related party | 4 | - |
| - Other parties | 33 | 41 |
| Net | 127 | 145 |

On September 13, 2019, the Company filed a lawsuit against a company in Thailand together with an authorized representative of such company as a criminal case at the Bangkok South Criminal Court on charges of jointly forging and fabricating documents of rights, sharing or claiming forged documents of rights, jointly defraud and counterfeited the bank account in such sale and purchase documents of a foreign company which is a manufacturer of electrode for an amount of Baht 2.3 million and interest at a rate of 7.5% per annum from the date of infringement (December 19, 2017) until the date of filing, totalling Baht 2.6 million and interest at the rate of 7.5% per annum of the principal after the date of filing until the two defendants will pay the plaintiff in full.

On September 1, 2023, the Civil Court ordered the defendant to pay the plaintiff of Baht 2.3 million and interest at the rate of 7.5% per annum from December 19, 2017 until April 10, 2021 and interest at the rate of 5.0% per annum from April 11, 2021 until the completion of payment is made to the plaintiff. The defendant filed an appeal on December 18, 2023. Subsequently on January 30, 2024, the Company already filed an appeal with the Court.

G J STEEL PUBLIC COMPANY LIMITED
Notes to Financial Statements (Continued)
December 31, 2023

9. PROPERTY, PLANT AND EQUIPMENT - Net

| | In Million Baht | | | | | | |
|---|----------------------------------|---|-------------------------------|---|-----------|-----------------------------|---------------|
| | Land and land improvements | Buildings and building improvements | Machinery and equipment | Furniture, fixtures and office equipment | Vehicles | Construction in progress | Total |
| Cost | | | | | | | |
| As at January 1, 2022 | 1,106 | 6,259 | 17,951 | 201 | 5 | 6,955 | 32,477 |
| Additions | - | 2 | 56 | 16 | 13 | 235 | 322 |
| Disposals and write-off | - | - | (711) | (1) | (4) | - | (716) |
| Transferred in (out) | - | 2 | 220 | 30 | - | (252) | - |
| Transfers to unusable machines held for sale (Note 11) | - | - | - | - | - | (6,774) | (6,774) |
| As at December 31, 2022 | 1,106 | 6,263 | 17,516 | 246 | 14 | 164 | 25,309 |
| Additions | - | 6 | 167 | 15 | 3 | 33 | 224 |
| Disposals and write-off | - | - | (228) | (21) | (4) | - | (253) |
| Transferred in (out) | - | 1 | 75 | 1 | - | (77) | - |
| As at December 31, 2023 | 1,106 | 6,270 | 17,530 | 241 | 13 | 120 | 25,280 |
| Accumulated Depreciation | | | | | | | |
| As at January 1, 2022 | 59 | 4,610 | 11,467 | 171 | 2 | - | 16,309 |
| Depreciation charge for the year | 7 | 122 | 373 | 12 | 5 | - | 519 |
| Disposals and write-off | - | - | (590) | (1) | (3) | - | (594) |
| As at December 31, 2022 | 66 | 4,732 | 11,250 | 182 | 4 | - | 16,234 |
| Depreciation charge for the year | 7 | 122 | 381 | 15 | 4 | - | 529 |
| Disposals and write-off | - | - | (172) | (21) | (4) | - | (197) |
| As at December 31, 2023 | 73 | 4,854 | 11,459 | 176 | 4 | - | 16,566 |
| Allowance for Impairment | | | | | | | |
| Losses | | | | | | | |
| As at January 1, 2022 | 23 | 76 | 385 | - | - | 3,122 | 3,606 |
| Addition | - | - | 1 | - | - | 3,617 | 3,618 |
| Reversal | - | - | (11) | - | - | - | (11) |
| Transfers to unusable machines held for sale (Note 11) | - | - | - | - | - | (6,739) | (6,739) |
| As at December 31, 2022 | 23 | 76 | 375 | - | - | - | 474 |
| Reversal | - | - | (5) | - | - | - | (5) |
| As at December 31, 2023 | 23 | 76 | 370 | - | - | - | 469 |
| Net Book Value | | | | | | | |
| Owned assets | 1,017 | 1,455 | 5,891 | 64 | - | 164 | 8,591 |
| Right-of-use assets | - | - | - | - | 10 | - | 10 |
| As at December 31, 2022 | 1,017 | 1,455 | 5,891 | 64 | 10 | 164 | 8,601 |
| Owned assets | 1,010 | 1,340 | 5,701 | 65 | - | 120 | 8,236 |
| Right-of-use assets | - | - | - | - | 9 | - | 9 |
| As at December 31, 2023 | 1,010 | 1,340 | 5,701 | 65 | 9 | 120 | 8,245 |

G J STEEL PUBLIC COMPANY LIMITED
Notes to Financial Statements (Continued)
December 31, 2023

Details of construction in progress as at December 31, 2023 and 2022 were as follows:

| | In Million Baht | |
|--|-----------------|---------|
| | 2023 | 2022 |
| Galvanizing line | - | 5,038 |
| Reversing Mill line | - | 1,525 |
| Others | 120 | 375 |
| Total | 120 | 6,938 |
| Less: Allowance for impairment losses | - | (6,739) |
| | 120 | 199 |
| Transfers to unusable machines held for sale (Note 11) | - | (35) |
| Net | 120 | 164 |

The gross carrying amounts of the Company's certain building and equipment totalling approximately Baht 731 million and Baht 725 million were fully depreciated as at December 31, 2023 and 2022, respectively, but these items are still in active use.

Impairment testing for carrying amount of property, plant and equipment

The values assigned to the key assumptions represented management's assessment of future trends in the relevant industries and were based on historical data from external and internal sources. The key assumptions used in the estimation of the recoverable amount of 2023 were as follows:

| | |
|------------------------------|--|
| Valuation methodology | : Discounted cash flow method |
| Period | : 5 years financial projection was based on historical financial information and expectations of future outcomes taking into the past experience, adjusted for the anticipated revenue growth. |
| Growth rate of sale quantity | : At the rate of 23.71% per annum in 1 st year and 2.10% per annum in 2 nd - 5 th year. |
| Growth rate of selling price | : At the decrease rate of 3.41% per annum in 1 st year and 0% per annum in 2 nd - 5 th year. |
| Terminal value | : Determined based on terminal value growth rate of 0% per annum from net cash flows of the 5 th year. |
| Discount rate | : At the rate of 7.05% per annum which was based on weighted average cost of capital, with average cost of debt, risk free rate, market risk premium and the Company's beta. |
| Others | : Other assumptions relevant to estimated revenues and expenses were based on historical financial information and expectations of future outcomes taking into the past experience, adjusted for the anticipated market growth rate. |

Based on the above impairment testing by the management, the allowance for impairment losses of property, plant and equipment of the Company as at December 31, 2023 was adequate.

G J STEEL PUBLIC COMPANY LIMITED
Notes to Financial Statements (Continued)
December 31, 2023

Sensitivity analysis of impairment test of property, plant and equipment

Sensitivity analysis is performed to analyse the risk that valuation of recoverable amount of property, plant and equipment will increase or decrease as a result of changes in fair value assumptions.

Reasonably possible changes at the valuation date (dated December 31, 2023) to one of the relevant fair value assumptions, holding other assumptions constant, would have affected the fair value of recoverable amount by the amounts shown below:

| | Impact to increase (decrease) fair value of recoverable amount of property, plant and equipment (in Million Baht) | |
|---|---|-------------------------------------|
| | Increase in change in assumption | Decrease in change in assumption |
| Discount rate | | |
| - Change of 0.5% | (739) | 853 |
| - Change of 1% | (1,386) | 1,848 |
| Growth rate of sale quantity - From base assumption | | |
| - Change of 5% | 354 | (353) |
| - Change of 10% | 709 | (705) |
| Growth rate of selling price - From base assumption | | |
| - Change of 0.5% | 32 | (32) |
| - Change of 1% | 64 | (64) |

Although the analysis does not take into account of the full distribution of cash flows expected under the financial projection, it does provide an approximation of the sensitivity of the assumptions shown.

Mortgaged property, plant and equipment

The Company filed a lawsuit to Southern Bangkok Civil Court against one defendant, in their capacities of bondholder trustee and security agent, to release the lien and security interests on the Company's property, plant and equipment which the Company had completely settled under rehabilitation plan to such creditor. On October 28, 2013, the Court ruled the defendant to release the mortgaged assets. Accordingly, the Company already released the mortgaged land in November 2023, and currently, the machinery is in the process of releasing of the collateral.

The Company's property, plant and equipment, which have net book value as at December 31, 2023 and 2022, totalling Baht 5,950 million and Baht 6,972 million, respectively, are mortgaged first ranking security against the bondholders as mentioned above.

Right-of-use assets are acquired by lease liabilities.

G J STEEL PUBLIC COMPANY LIMITED
Notes to Financial Statements (Continued)
December 31, 2023

10. DEFERRED TAX

Tax expense for each of the years ended December 31, 2023 and 2022 consisted of:

| | In Million Baht | |
|---|-----------------|------|
| | 2023 | 2022 |
| Tax expense - current tax | - | 29 |
| Add (Less) : Tax effect from deferred income tax of temporary differences | - | - |
| Tax expense | - | 29 |

Reconciliation between tax expense and accounting loss multiplied by the applicable tax rate for each the years ended December 31, 2023 and 2022 are as follows:

| | In Million Baht | |
|--|-----------------|---------|
| | 2023 | 2022 |
| Accounting loss before tax | (492) | (3,107) |
| Income tax rates at 20% | (98) | (621) |
| Add (less): Tax effects from | | |
| - Non-deductible expenses | (1) | 16 |
| - Unrecognized certain temporary differences | 54 | 762 |
| - Unrecognition of tax loss carry forward | 53 | - |
| - Utilized unrecognition other temporary differences | (8) | (1) |
| - Utilized unrecognition tax loss carry forward | - | (127) |
| Tax expense | - | 29 |

Deferred tax assets arising from temporary differences and unused tax losses that have not been recognized in the financial statements as at December 31, 2023 and 2022 were as follows:

| | In Million Baht | |
|---|-----------------|-------|
| | 2023 | 2022 |
| Temporary differences | | |
| - Allowance for decline in value of inventories | 4 | 11 |
| - Allowance for impairment on advances to suppliers | 2 | 2 |
| - Allowance for impairment losses on property, plant and equipment and depreciation gap | 700 | 653 |
| - Allowance for impairment losses on suspended construction in progress | 76 | 76 |
| - Allowance for impairment losses on unusable machines held for sale | 1,348 | 1,348 |
| - Non-current provision for employee retirement benefit | 33 | 29 |
| | 2,163 | 2,119 |
| Tax loss carried forward | 53 | - |
| Total | 2,216 | 2,119 |

The loss carried forward will expire in 2028 to 2031. The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognized in the financial statements of the Company in respect of these items because it is not certain that future taxable profit will be generated against which the Company can utilize the benefits there from.

G J STEEL PUBLIC COMPANY LIMITED
Notes to Financial Statements (Continued)
December 31, 2023

11. OTHER NON-CURRENT ASSETS - Net

| | In Million Baht | |
|--|-----------------|---------|
| | 2023 | 2022 |
| Unusable machines held for sale (Note 9) | 6,774 | 6,774 |
| Less: Allowance for impairment losses | (6,739) | (6,739) |
| | 35 | 35 |
| Suspended construction in progress | 382 | 382 |
| Less: Allowance for impairment losses | (381) | (381) |
| | 1 | 1 |
| Deferred cost of roll - net | 224 | 212 |
| Restricted deposit at financial institution for fleet card usage | 1 | 1 |
| Others | 2 | 2 |
| Net | 263 | 251 |

Unusable machines held for sale

The Company had engaged technical experts to carry out a review of the Galvanizing line lying under construction in progress. Based on such technical review, the additional investment required for making the Galvanizing line operational was estimated at USD 44.25 million to USD 47.25 million (equivalent to approximately Baht 1,534 million to Baht 1,638 million) which would include complete replacement of electrical and automation parts including replacement/purchase of new items to complete the commissioning. The management further noted that in spite of this additional investment, it would be very unlikely that such Galvanizing line could achieve the desired production capacities, quality parameters, and subsequent guarantee figures. If the old and rusted parts were not replaced, the risk of operational stability, frequent breakdowns due to cracks and jamming, which resulted in high maintenance/operational costs and importantly quality and safety issues would remain major concerns and finally, the Company's product image would significantly be damaged.

After considering various factors, the Management Committee meeting held on February 17, 2023 resolved not to continue with the commissioning of the existing Galvanizing line but to set up additional impairment loss on such Galvanizing line (using the market scrap price) amounting to Baht 3,617 million in the books. Subsequently, the Audit Committee and Board of Directors meeting held on February 23, 2023, approved to record impairment loss on unusable machines held for sale amounting to Baht 3,617 million in the statement of comprehensive income for the year ended December 31, 2022.

The carrying value of unusable machines held for sale was written down based on the market price of steel scrap of Baht 35 million as at December 31, 2022. Based on the impairment testing by the management, there was no any indication for additional impairment of unusable machines held for sale as at December 31, 2023.

Suspended construction in progress

Suspended construction in progress represents the Direct Reduced Iron plant ("DRI Facility"). The management of the Company decided to suspend this project since 1999. On July 29, 2014, the Board of investment ("BOI") had ordered the revocation of privilege in the production of Direct Reduced Iron. However, there is no burden of import duty on machinery and raw materials.

The carrying value of suspended construction in progress was written down based on the market price of steel scrap of Baht 1 million as at December 31, 2023 and 2022. Based on the impairment testing by the management, there was no additional impairment in the book value of suspended construction in progress as at December 31, 2023 and 2022.

G J STEEL PUBLIC COMPANY LIMITED
Notes to Financial Statements (Continued)
December 31, 2023

12. TRADE ACCOUNT PAYABLES

| | In Million Baht | |
|---------------|-----------------|------|
| | 2023 | 2022 |
| Other parties | 124 | 237 |

The currency denomination of trade accounts payable as at December 31, 2023 and 2022 were as follows:

| | In Million Baht | |
|-----------------------|-----------------|------|
| | 2023 | 2022 |
| Thai Baht | 109 | 120 |
| United States Dollars | 13 | 94 |
| Euro | 2 | 23 |
| Total | 124 | 237 |

13. OTHER PAYABLES AND ACCREUD EXPENSES

| | In Million Baht | |
|--------------------------------------|-----------------|------|
| | 2023 | 2022 |
| Electricity and natural gas payables | 145 | 147 |
| Accrued incentive bonus program | 23 | 43 |
| Other payable - Related parties | 3 | 2 |
| Others | 168 | 179 |
| Total | 339 | 371 |

The currency denomination of other payables and accrued expenses as at December 31, 2023 and 2022 were as follows:

| | In Million Baht | |
|-----------------------|-----------------|------|
| | 2023 | 2022 |
| Thai Baht | 315 | 338 |
| United States Dollars | 14 | 28 |
| Euro | 4 | 5 |
| Chinese Yuan | 6 | - |
| Total | 339 | 371 |

G J STEEL PUBLIC COMPANY LIMITED
Notes to Financial Statements (Continued)
December 31, 2023

14. LIABILITIES FROM TERMINATED REHABILITATION PLAN

In 1998, the Company faced the financial problems from financial crisis causing the Company to be unable to repay the existing debt. And in April 2000, the Company entered into the business rehabilitation process administered by the Central Bankruptcy Court. In 2002, the Central Bankruptcy Court approved the business rehabilitation plan. Later on November 28, 2008, the Company filed a petition to terminate the business rehabilitation with the Central Bankruptcy Court and on March 2, 2009, the Central Bankruptcy Court issued an order to terminate the rehabilitation proceeding of the Company.

Liabilities from terminated rehabilitation plan as at December 31, 2022 were creditors under Class 4 (employee), due on October 31, 2013, and the Company fell into default. As a consequence of this default, the outstanding balances are payable on demand and accrued interest at a rate of 7.5% per annum from the date of default. Hence, the Company presented the outstanding liabilities from terminated rehabilitation plan as at December 31, 2022 as current liabilities in the Company's statements of financial position.

At the Board of Directors' Meeting of the Company, the directors approved to write-off liabilities from terminated rehabilitation plan which have exceeded legal prescription period of 10 years without any claim from the creditors and recorded such write-back as part of written-back liabilities expired legal prescription in the statement of comprehensive income for the years ended December 31, 2023 and 2022. Details were as below:

| | | In Million Baht | | |
|------|--|---|------------------|-------|
| Year | Approved by | Liabilities from terminated rehabilitation plan | Accrued interest | Total |
| 2023 | Board of Directors' Meeting of the Company held on December 14, 2023 | 4 | 2 | 6 |
| 2022 | Board of Directors' Meeting of the Company held on December 15, 2022 | 17 | 14 | 31 |

The movement of liabilities from terminated rehabilitation plan for each of years ended December 31, 2023, and 2022 was as follows:

| | | In Million Baht | |
|-----------------------|--|-----------------|----------|
| | | 2023 | 2022 |
| At January 1 | | 4 | 21 |
| Written-off | | (4) | (17) |
| At December 31 | | - | 4 |

The currency denomination of liabilities from terminated rehabilitation plan as at December 31, 2023 and 2022 was as follows:

| | | In Million Baht | |
|-----------|--|-----------------|------|
| | | 2023 | 2022 |
| Thai Baht | | - | 4 |

G J STEEL PUBLIC COMPANY LIMITED
Notes to Financial Statements (Continued)
December 31, 2023

15. NON-CURRENT PROVISION FOR EMPLOYEE RETIREMENT BENEFIT

| | In Million Baht | |
|--|-----------------|------------|
| | 2023 | 2022 |
| Non-current provision for employee retirement benefit as at January 1 | 144 | 134 |
| Current service cost and interest cost | 11 | 11 |
| Employee retirement benefit paid | (4) | (1) |
| Actuarial losses | 13 | - |
| Non-current provision for employee retirement benefit as at December 31 | 164 | 144 |

Expenses recognized in the statements of comprehensive income for each of years ended December 31, 2023 and 2022 were as follows:

| | In Million Baht | |
|---|-----------------|-----------|
| | 2023 | 2022 |
| In loss for the year: | | |
| - Current service cost and interest cost | 11 | 11 |
| In other comprehensive loss for the year: | | |
| - Actuarial losses | 13 | - |
| Total | 24 | 11 |

Actuarial assumptions:

| | 2023 | 2022 |
|------------------------|--|--|
| Discount rate | 3.04% per annum | 1.79% per annum |
| Future salary increase | 4.00% per annum | 5.00% per annum |
| Employee turnover rate | 0.96% - 11.46% per annum | 3.82% - 11.46% per annum |
| Mortality rate | 100% of Thai Mortality Table Year 2017 | 100% of Thai Mortality Table Year 2017 |

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the non-current provision for defined benefit plans by the amounts shown below.

| | In Million Baht | |
|---|-----------------|------|
| | 2023 | 2022 |
| Effect on the non-current provision for employee benefit at 31 December | | |
| Discount rate | | |
| 1% increase | (16) | (16) |
| 1% decrease | 19 | 18 |
| Salary increase rate | | |
| 1% increase | 18 | 21 |
| 1% decrease | (16) | (18) |
| Employee turnover rate | | |
| 10% increase | (2) | (8) |
| 10% decrease | 2 | 8 |

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

G J STEEL PUBLIC COMPANY LIMITED
Notes to Financial Statements (Continued)
December 31, 2023

16. LEGAL RESERVE

Under the provisions of the Public Company Limited Act B.E. 2535, the Company is required to appropriate at least 5% of its annual net profit (after deduction of the deficit brought forward, if any) as reserve fund until the reserve fund reaches 10% of the authorized share capital. The legal reserve is not available for dividend distribution.

17. OTHER COMPONENTS OF EQUITY

The detail of other components of equity as at December 31, 2023 and 2022 were as follows:

| | In Million Baht | |
|-------------------------------------|-----------------|------------|
| | 2023 | 2022 |
| Cash received from expired warrants | | |
| - First Warrants (a) | 162 | 162 |
| - Second Warrants (b) | 148 | 148 |
| At December 31 | 310 | 310 |

- (a) Upon the cancellation of the 3,234 million units of First Warrants in year 2011, their carrying value at Baht 0.05 each was transferred from the warrants component of equity to other components of equity for an amount of Baht 162 million.
- (b) Upon the cancellation of the 4,933 million units of Second Warrants in year 2017, their carrying value at Baht 0.03 each was transferred from the warrants component of equity to other components of equity for an amount of Baht 148 million.

18. REGISTERED PROVIDENT FUND

The Company has established a contributory registered provident fund under the plan, members contribute to the fund at 2% to 15% of the employees' basic salaries. The Company contributes to the fund at 3% to 10% of the employees' monthly salaries, depending on the length of employment. Such provident fund was register with the terms and conditions prescribed in the Ministry of Finance and an approval fund manager to manage the fund.

The Company's contribution for each of the years 2023 and 2022, which were charged to profit or loss, amounted to Baht 21 million each year.

19. EXPENSES BY NATURE

Significant expenses by nature for each of years ended December 31, 2023, and 2022 are as follows:

| | In Million Baht | |
|--|-----------------|---------------|
| | 2023 | 2022 |
| Raw materials and consumable used | 9,301 | 13,503 |
| Change in finished goods | 273 | (329) |
| Depreciation and amortization | 596 | 596 |
| Employee benefit expenses | 526 | 530 |
| Utility expenses | 1,356 | 1,358 |
| Natural gas expense | 341 | 424 |
| Loss on sale and write-off fixed assets | 52 | 109 |
| Impairment losses on unusable machines held for sale (Note 11) | - | 3,617 |
| Allowance for decline in value of inventories (reversal) | (35) | 56 |
| Loss on foreign exchange - net | - | 6 |
| Other expenses | 677 | 754 |
| Total expenses | 13,087 | 20,624 |

G J STEEL PUBLIC COMPANY LIMITED
Notes to Financial Statements (Continued)
December 31, 2023

20. BASIC LOSS PER SHARE

The calculations of basic loss per share for each of the years ended December 31, 2023 and 2022 were based on the loss for the years attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding during the years as follows:

| | In Million Baht / Million shares | |
|---|----------------------------------|---------|
| | 2023 | 2022 |
| Loss for the year attributable to equity holders of the Company | (492) | (3,136) |
| Number of ordinary shares outstanding at January 1 | 25,487 | 25,487 |
| Effect of issuance of new shares | - | - |
| Weighted average number of ordinary shares outstanding | 25,487 | 25,487 |
| Basic loss per share (in Baht) | (0.019) | (0.123) |

21. DISCLOSURE OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities carried on the statement of financial position include cash and cash equivalents, trade account receivables, restricted deposit at financial institution, trade account payables, other payables and accrued expenses, accrued interest expense, liabilities from terminated rehabilitation plan and lease liabilities. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies in Note 3.

Financial Risk Management Policies

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

Capital Management

The Board's intention is to return to a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business and preserves the ability to continue its business as a going concern.

Foreign Currency Risk

The Company is exposed to foreign currency risk relating to purchases and sales which are denominated in foreign currencies and has financial liabilities denominated in foreign currencies. Accordingly, in 2023, the Company had certain forward exchange contracts to manage this risk

Credit Risk

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

At the reporting date there were no significant concentrations of credit risk because the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

G J STEEL PUBLIC COMPANY LIMITED
Notes to Financial Statements (Continued)
December 31, 2023

Interest Rate Risk

Interest rate risk arises from the fluctuation of market interest rates, which may have an impact to current and future operations of the Company. The Company's exposure to interest rate risk relates primarily to its deposits at financial institutions, other payables and accrued expenses, liabilities from terminated rehabilitation plan and lease liabilities which most of the Company's financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rates. Hence, the Company has no hedging agreement to protect against such risk.

Significant financial assets and liabilities as at December 31, 2023 and 2022 classified by type of interest rates are summarized in the table below, with those financial assets that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

| | | 2023 (In Million Baht) | | | | | | |
|---|----------------|------------------------|------------|--------------|------------------------|----------------------|--------------|-------------------------|
| | | Fixed interest rates | | | | | | Effective interest rate |
| | Measurement | Within 1 year | 1- 5 years | Over 5 years | Floating interest rate | Non-interest bearing | Total | (% p.a.) |
| Financial assets | | | | | | | | |
| Cash and cash equivalents | Amortized cost | 1,700 | - | - | 538 | - | 2,238 | 0.01 - 2.13 |
| Trade account receivables | Amortized cost | - | - | - | - | 15 | 15 | - |
| Restricted deposit at financial institution | Amortized cost | <u>1</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1</u> | 0.20 |
| Total | | <u>1,701</u> | <u>-</u> | <u>-</u> | <u>538</u> | <u>15</u> | <u>2,254</u> | |
| Financial liabilities | | | | | | | | |
| Trade account payables | Amortized cost | - | - | - | - | 124 | 124 | - |
| Other payables and accrued expenses | Amortized cost | 13 | - | - | - | 326 | 339 | 7.50 |
| Accrued interest expense | Amortized cost | - | - | - | - | 9 | 9 | - |
| Lease liabilities | Amortized cost | <u>5</u> | <u>3</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>8</u> | 4.22 - 5.95 |
| Total | | <u>18</u> | <u>3</u> | <u>-</u> | <u>-</u> | <u>459</u> | <u>480</u> | |
| | | 2022 (In Million Baht) | | | | | | |
| | | Fixed interest rates | | | | | | Effective interest rate |
| | Measurement | Within 1 year | 1- 5 years | Over 5 years | Floating interest rate | Non-interest bearing | Total | (% p.a.) |
| Financial assets | | | | | | | | |
| Cash and cash equivalents | Amortized cost | 1,200 | - | - | 1,015 | - | 2,215 | 0.18 - 0.85 |
| Trade account receivables | Amortized cost | - | - | - | - | 60 | 60 | - |
| Restricted deposit at financial institution | Amortized cost | <u>1</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1</u> | 0.20 |
| Total | | <u>1,201</u> | <u>-</u> | <u>-</u> | <u>1,015</u> | <u>60</u> | <u>2,276</u> | |
| Financial liabilities | | | | | | | | |
| Trade account payables | Amortized cost | - | - | - | - | 237 | 237 | - |
| Other payables and accrued expenses | Amortized cost | 13 | - | - | - | 358 | 371 | 7.50 |
| Accrued interest expense | Amortized cost | - | - | - | - | 10 | 10 | - |
| Liabilities from terminated rehabilitation plan | Amortized cost | 4 | - | - | - | - | 4 | 7.50 |
| Lease liabilities | Amortized cost | <u>4</u> | <u>5</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>9</u> | 5.95 and 12.00 |
| Total | | <u>21</u> | <u>5</u> | <u>-</u> | <u>-</u> | <u>605</u> | <u>631</u> | |

G J STEEL PUBLIC COMPANY LIMITED
Notes to Financial Statements (Continued)
December 31, 2023

Fair Value of Financial Instruments

Fair value is defined as the amount at which the instruments could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction. The following methods and assumptions are used to estimate the fair value of each class of financial instruments.

Cash and cash equivalents, restricted deposit at financial institution - the aggregate carrying values are insignificantly different from their aggregate fair value because these financial assets have floating interest rate or fixed interest rate, which is approximately market rate.

Trade account receivables, trade account payables, other payables and accrued expenses - the carrying values are approximate their fair values due to the relatively short-term maturity of these financial instruments.

Liabilities from terminated rehabilitation plan - the aggregate carrying value is insignificantly different from its aggregate fair value because its fixed rate is approximate market rates.

Lease liabilities - the carrying value is approximately its fair value because these liabilities have been calculated using market interest rates.

22. OPERATING SEGMENTS

Segment information is presented in respect of the Company's geographical segments based on the Company's management and internal reporting structure.

Business segments

Management considers that the Company operates in a single line of business, namely manufacturing of hot rolled coil steel products, and has, therefore, only one major business segment.

Geographic segments

In presenting information on the basis of geographic segments, segment revenue is based on the geographic location of customers. Considering the location criteria of the Company's operations and market criteria, the Company has only one geographical segment, as the Company only operates most of its business in the country.

Non-current assets are located in Thailand only.

Information about major customers

For the year ended December 31, 2023, the Company had revenues from the domestic sales to 3 customers for the total amount of Baht 8,789 million (2022: 3 customers of Baht 11,290 million).

G J STEEL PUBLIC COMPANY LIMITED
Notes to Financial Statements (Continued)
December 31, 2023

23. COMMITMENTS AND CONTINGENT LIABILITIES

As at December 31, 2023 and 2022, the Company had commitments and contingent liabilities as below:

| | In Million Baht | |
|---|-----------------|------|
| | 2023 | 2022 |
| <i>Commitments under lease and service agreements</i> | | |
| Not later than 1 year | 7 | 7 |
| Later than 1 year but not later than 5 years | 3 | 6 |
| Total | 10 | 13 |
| <i>Capital commitments</i> | | |
| Purchases of fixed assets | 79 | 217 |
| <i>Commitments for purchases of raw materials and supplies</i> | | |
| Purchases of raw materials | 606 | 442 |
| Purchases of natural gas | 59 | 130 |
| Total | 665 | 572 |
| <i>Contingent liabilities</i> | | |
| Letters of guarantee | 179 | 155 |
| Letter of credit | - | 1 |

Significant agreements

- (a) On July 1, 2019, the Company entered into agreement to purchase natural gas for 5 years up to of June 30, 2024. The Company committed to pay for the natural gas depending on monthly charges based on consumption.
- (b) On November 1, 2004, the Company entered into a supply agreement to purchase oxygen, argon and nitrogen for 20 years. Minimum payments under the agreement amounts to approximately Baht 6 million per month up to October 31, 2024.
- (c) On April 20, 2021, the Company entered into service agreements with 2 domestic companies for the transportation of goods to domestic customers for 3 years starting from May 2021, whereby the Company committed to pay the freight charge as specified in the contracts.

Freight service fee from such agreements for each of the years ended December 31, 2023 and 2022 amounted to Baht 137 million and Baht 161 million, respectively.

- (d) On August 1, 2018, the Company entered into agreement for slag waste management service, which results from steelmaking and casting to recover ferrous scrap, with the local company with term of agreement for 7 years commencing from August 2018 and shall be automatically renewed for further periods of 1 year unless written notice is given of its intention not to renew this agreement at least 6 months prior to the expiry of this agreement during such notice period, the Company must pay the waste management service fee as specified in the contract.

Slag waste management services from such agreement for each of the years ended December 31, 2023 and 2022 amounted to Baht 60 million and Baht 67 million, respectively.

G J STEEL PUBLIC COMPANY LIMITED
Notes to Financial Statements (Continued)
December 31, 2023

24. CREDIT FACILITIES FOR OPERATION

As at December 31, 2023 and 2022, the Company had uncommitted and unsecured short-term credit facilities from a local related party and various local financial institutions as below:

| Credit Facilities | Credit Line | |
|--|----------------|-----------------|
| | In Million USD | In Million Baht |
| <i>Other related party</i> | | |
| Short-term loan under Cash Management Service Agreement (Note 4) | - | 500 |
| <i>Financial institutions</i> | | |
| Short-term loan | 39 | 3,048 |
| Letter of credit and trust receipt | 63 | - |
| Letter of guarantee | - | 208 |
| Foreign currency exchange forward contract | 90 | - |

25. PROMOTIONAL PRIVILEGES

By virtue of the provisions of the Investment Promotion Act B.E. 2520, the Company was granted certain promotional privileges relating to manufacturing of industrial hot rolled coil steel to improve production efficiency by using renewable energy on October 24, 2023, which include among others, the following:

- (a) Exemption from corporate income tax on net profits at the rate of 50% of investment in performance improvement, excluding land and working capital, for the period of 3 years since the October 25, 2023 to October 24, 2026. The exempted income tax value does not exceed Baht 25.6 million.
- (b) Allow to carry any annual losses incurred during that time, to be deducted from net profits incurred after the corporate income tax exemption period from the expiration of the period as mentioned above for 5 years since October 25, 2026 to October 24, 2031.

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

The Company's revenue from sales - net for the each of years ended December 31, 2023 and 2022 were classified under promoted business and non-promoted business as follows:

| | In Million Baht | |
|----------------------------------|-----------------|--------|
| | 2023 | 2022 |
| Revenue from sales - net - Local | | |
| - Promoted business | 1,625 | - |
| - Non-promoted business | 10,857 | 17,403 |
| Total | 12,482 | 17,403 |

26. THAI FINANCIAL REPORTING STANDARDS ANNOUNCED IN THE ROYAL GAZETTE BUT NOT YET EFFECTIVE

The Federation of Accounting Professions has revised TFRSs which are effective for annual accounting periods beginning on or after January 1, 2024 and have not been adopted in the preparation of these financial statements because they are not yet effective. The Company has assessed the potential initial impact on the financial statements of these revised TFRSs and expected that there will be no material impact on the financial statements in the period of initial application.