

ANNUAL REPORT

2011

Our services start before we sell.
Customer satisfaction is our first priority.
We built our reputation on quality.
We built our future on your satisfaction.



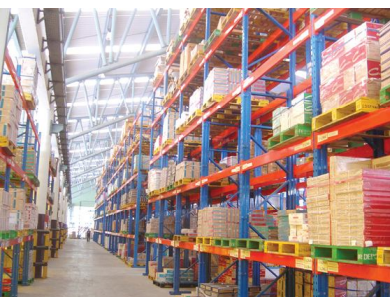
บริษัท ชิตี สตีล จำกัด (มหาชน)

CITY STEEL PUBLIC COMPANY LIMITED



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MESSAGE FROM THE CHAIRMAN

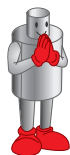
After political conflict has been resolved, domestic economic condition has started to recover. Private sector has begun to expand their businesses and industrial sector has also increased their investment. As a consequence, the Company operating results increased from those of last year. However, sovereign debt crisis in European countries, financial crisis in the U.S., as well as natural disasters have caused the global economy to be in the recession state.

According to the stated factors, the Company has employed thorough business policies to overcome any obstacles or challenges that happened or may happen in the future. The Company has also prudently managed its operation in order to pave the way to become a leader in the manufacturing and sales of metal products industry by manufacturing and providing high quality products and services to satisfy our customers. In addition, the Company has determined to efficiently operate its operation and followed the Good Corporate Governance practices in order to establish confidences among shareholders and all stakeholders which will be the important foundation for a sustainable growth.

Finally, we would like to thank all of our staffs for the commitment and dedication, and also would like to express our appreciation to our shareholders, customers, business alliances and partners, and all relevant parties for your well support over the years. We ensure that we will commit to uphold to Good Corporate Governance practices, and devote to keep up on manufacturing outstanding quality products and providing exceptional services on a principle of transparent and verifiable management to sustainably maximize all stakeholders' benefits.

Mr. Wibool Phongratanadechachai
Chairman of the Board of Director





REPORT OF THE AUDIT COMMITTEE

The Audit Committee of City Steel Public Company Limited consisted of 3 Independent Directors which are Mr. Manop Chiwatanasoon, the Chairman of the Audit Committee, Mr. Anutara Tantraporn, and Mr. Pattarathon Thatsanasuwan, the remaining members of the Audit Committee. The Company's Audit Committee holding the position for 2 years.

During the year 2010/2011, the Audit Committee had performed their duties independently and held 4 meetings with Internal Audit Manager in order to consider several relevant issues as follow;

1. Reviewed the Company's financial statements and consolidated financial statements on quarterly basis and financial statements for the year 2010/2011 in terms of correctness, accuracy, and adequate disclosure. According to their review, the financial statements and the notes to financial statement were presented fairly and adequately and conform to generally accepted accounting principles.

2. Reviewed the connected transactions between the Company and its subsidiaries and related parties. Based on the review, the connected transactions were correctly and adequately disclosed. Also business terms and conditions were appropriate and benefit the Company.

3. Proposed a nomination of Dharmniti Auditing Company Limited to be the Company's auditor for the year 2011/2012 and reviewed its relevant remuneration.

4. Evaluated and assessed the Company's internal control systems according to the guidelines set by the Security Exchange Commission, which include the internal control of overall operations, financial activities, and compliance as well as risk management policies. As to their reviews, the Company's internal control system and risk management policies were adequate and efficient.

5. Reviewed the Company's codes of conduct and business ethics as to their appropriateness and to meet the benchmark of the industry and principles of good corporate governance.

6. Monitored the Company's compliance with the Securities and Exchange Act, The Stock Exchange of Thailand's rules and regulations, and the applicable laws.

7. Reviewed the operation of the Audit Committee by compared with the Best Practices provided by the Securities and Exchange Commission and the Stock Exchange of Thailand. According to the reviews, the Audit Committee had performed their duties efficiently and complied with the Best Practices.

In conclusion, the Audit Committee considered that the financial statements for the year 2010/2011 are fairly presented, adequately disclosed, and comply with generally accepted accounting principles. The Company had an efficient risk management and internal control system as well as a proper internal audit procedures. The Company also followed the Best Practices of Corporate Governance by concerning all stakeholders and social as a whole. In addition, the Audit Committee had independently performed their duties according to the Best Practices of Audit Committee and provided useful and valuable advices and recommendation for the Company.

Mr. Manop Chiwatanasoon
Chairman of the Audit Committee





GENERAL INFORMATION

Company Name	:	City Steel Public Company Limited ("The Company")
Symbol	:	CITY
Registered Capital	:	Baht 300,000,000, Ordinary Capital 300,000,000 Shares, Par Value Baht 1 each
Paid Up Capital	:	Baht 300,000,000 (As at 31 July 2011)
Type of Business	:	Holding Company, investing in 3 subsidiaries which are Siam ISO Pro Company Limited, Mark Worldwide Company Limited, and City Steel Products Company Limited.
Head Office' s address	:	88/3 Moo 4, Bypass Road, Nongmairdaeng, Muang, Chonburi, 20000
Branch 1' s address	:	120 Moo 3, Sukhumvit Road, Bansuan, Muang, Chonburi, 20000
Register Number	:	0107547000931
Website	:	http://www.citysteelpcl.com
Email	:	city@wkpgroup.com
Tel.	:	(038) 782 - 064 - 68
Fax	:	(038) 782 - 069 - 70
Auditor	:	Mr.Pojana Asavasontichai Certified Public Accountant (Thailand) No.4891 Dharmniti Auditing Company Limited 267/1 Pracharaj Sai 1 Road, Bangsue, Bangkok 10800 Tel : (02) 587 - 8080 Fax : (02) 586 - 0301, (02) 587 - 2018, (02) 587 - 5475 Website : http://www.dharmniti.co.th Email : center@dharmniti.co.th



THE DETAILS OF SUBSIDIARY COMPANIES



Siam ISO Pro Company Limited

Registered Capital	:	Baht 154,000,000, Ordinary Capital 15,400,000 Shares, Par Value Baht 10 each
Paid Up Capital	:	Baht 112,000,000 (As at 31 July 2011)
Type of Business	:	Investment and new business expansion
Head Office' s address	:	88/2 Moo 4, Bypass Road, Nongmaidaeng, Muang, Chonburi, 20000
Register Number	:	0205546002113
Email	:	isopro@wkpgroup.com
Tel.	:	(038) 782 - 064 - 68
Fax.	:	(038) 782 - 069 - 70



Mark Worldwide Company Limited

Registered Capital	:	Baht 295,000,000, Ordinary Capital 29,500,000 Shares, Par Value Baht 10 each
Paid Up Capital	:	Baht 280,200,000 (As at 31 July 2011)
Type of Business	:	Manufacturing and sales of metal, fabricated metal parts and providing metal processing services
Head Office' s address	:	41/58-61 Moo 1, Bypass Road, Bansuan, Muang, Chonburi, 20000
Branch 1' s address	:	120,122/8 Moo 3, Sukhumvit Road, Bansuan, Muang, Chonburi, 20000
Branch 2' s address	:	88/5 Moo 4, Bypass Road, Nongmaidaeng, Muang, Chonburi, 20000
Register Number	:	0205544011158
Email	:	mark@wkpgroup.com
Tel.	:	(038) 287 - 111
Fax.	:	(038) 287 - 151 - 3



City Steel Products Company Limited

Registered Capital	:	Baht 270,000,000, Ordinary Capital 27,000,000 Shares, Par Value Baht 10 each
Paid Up Capital	:	Baht 247,050,000 (As at 31 July 2011)
Type of Business	:	Manufacturing and sales of metal structures, storage systems and material handling equipment, and other metal products.
Head Office' s address	:	88/20 Moo 10, Bypass Road, Napa, Muang, Chonburi, 20000
Register Number	:	0205552013105
Email	:	citypro@citysteelpcl.com



Financial Highlights

Financial Performance of the Company for the accounting period ended 31 July

(Unit : Million Baht)

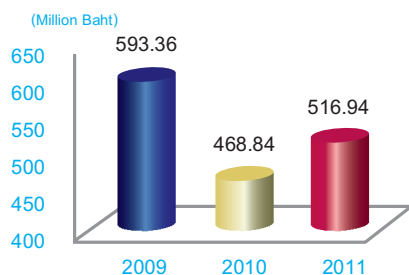
	2009	2010	2011
Total Revenue	593.36	468.84	516.94
Gross Profit	124.79	105.33	127.63
Net Profit	80.43	64.51	80.39
Total Assets	821.05	861.25	938.73
Total Liabilities	14.87	21.73	36.87
Total Shareholders' Equity	806.18	839.52	901.86
Paid-up Capital	300.00	300.00	300.00

Financial Ratios of the Company for the accounting period ended 31 July

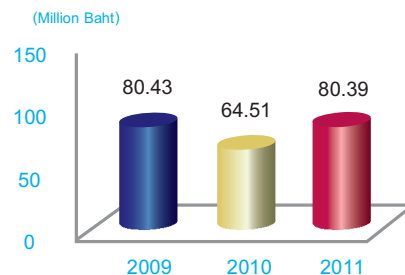
(Unit : Million Baht)

	2009	2010	2011
Gross Profit Margin (%)	21.23	22.67	25.10
Net Profit Margin (%)	13.55	13.76	15.55
Return on Equity (%)	10.19	7.84	9.23
Return on Assets (%)	9.85	7.67	8.93
Liquidity Ratio (times)	31.87	21.67	10.76
Debt to Equity Ratio (times)	0.02	0.03	0.04
Dividend Payout Ratio (%)	41.48	41.03	37.20

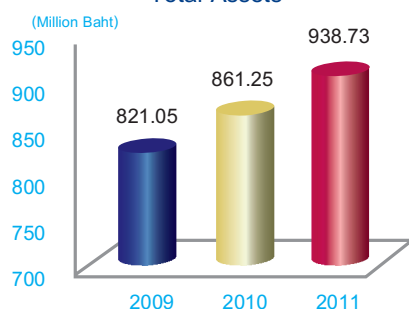
Total Revenue



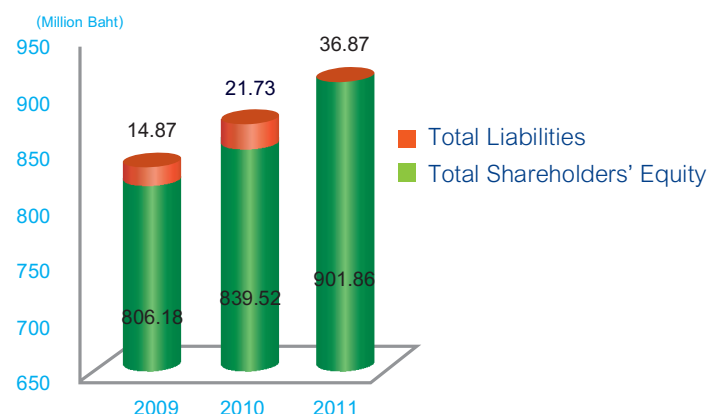
Net Profit



Total Assets



Total Liabilities and Shareholder's Equity





NATURE OF BUSINESS



CITY STEEL PCL.
Metal TECHNOLOGY™

ISO PRO

MWW
Make the right first time

CITY STEEL
PRODUCTS

Background and Major Milestones

- 1995** “City Steel Company Limited” established on 7 August 1995 with registered capital of Baht 1 million. Started production of storage system, material handling equipment, and metal products
- 2002** Granted international standard ISO9002:1994 certification. Increased registered capital to Baht 31 million.
- 2003** Granted a brand “Thailand’s Brand” from Department of Export Promotion Increased registered capital to Baht 59 million.
- 2004** Granted international standard ISO9001:2000 certification, Started service of steel service center (Branch 1), Started production of Siam ISO Pro Company Limited (BOI Privilege) Increased registered capital to Baht 200 million. Transformed into a Public Company on 5 October 2004
- 2006** Increased registered capital to Baht 300 million. Approved as a registered company by the Stock Exchange of Thailand, Started trading in the stock market on 23 February 2006
- 2007** Started production of Mark Worldwide Company Limited (BOI Privilege)
- 2009** Established “City Steel Products Company Limited” on 7 September 2009 with registered capital of Baht 100 million
- 2010** Started production of City Steel Products Company Limited (BOI Privilege)
- 2011** City Steel Products Company Limited increased registered capital to Baht 270 million

NATURE OF BUSINESS

Business Overviews

In the 2010/2011, the Group consists of the Company and three subsidiaries; Siam ISO Pro Co., Ltd. ("Siam ISO Pro"), Mark Worldwide Co., Ltd ("Mark Worldwide"), and City Steel Products Co., Ltd. ("City Steel Products"). The Group objectives are to manufacture and sell metal structures, storage systems and material handling equipments, fabricated metal parts, other metal products, as well as to provide metal processing services, and to merchandise steel and other metal materials. The Group provides various kinds of products and services to serve different needs and demands of customers. The products are custom-made with high quality and by high technology and high precision machines to assure quality of the products. In addition, the Group also emphasizes on exceptional customer services and on time delivery.

Currently, the Group's total production capacities are 27,000 tons per year. There are 4 production facilities, located in Chonburi. The first factory has production capacity of 9,000 tons per year while the second factory and the third factory have production capacity of 7,000 tons per year and 2,000 tons per year, respectively. All of these 3 production facilities are operated under Mark Worldwide. During the year 2010/2011 the Group's organization structure has been changed. City Steel has become a Holding Company and has sold the Company's machines to Mark Worldwide which resulted in an establishment of the second and the third factory

of Mark Worldwide and increased its production capacities of 9,000 tons per year to be 18,000 tons per year. The fourth factory has been operated under City Steel Products with production capacity of 9,000 tons per year.

The details of subsidiaries as at 31 July 2011 are as follows:

1. Siam ISO Pro Co., Ltd.

Siam ISO Pro Co., Ltd. has registered capital of Baht 154 million with paid up capital of Baht 112 million. Siam ISO Pro is fully owned by the Company with business objectives of merchandising of industrial materials.

2. Mark Worldwide Co., Ltd.

Mark Worldwide Co., Ltd. has registered capital of Baht 295 million with paid up capital of Baht 280.20 million. Mark Worldwide is fully owned by the Company with business objectives of manufacturing and sales of metal, semi-products, and fabricated metal parts as well as providing metal processing services.

3. City Steel Products Co., Ltd.

At 31 July 2011, City Steel Products Co., Ltd. has registered capital of Baht 270 million with paid up capital of Baht 247.05 million, City Steel Products is also fully owned by the Company. It has been granted BOI Privilege No. 2007(1)/2552 on 23 December 2009. On 2 August 2010, City Steel Products has started its operation in manufacturing and sales of metal structures, storage systems and material handling equipments under the brand "CITY STEEL".

The Group's structure as at 31 July 2011 is presented below:

The Group's Structure at July 31, 2011



As the Company has established a new subsidiary, and in the year 2010/2011 City Steel Products, the newly established company, has started its operation therefore to clearly identify and segregate the Group's products and operation, the Company has decided to reorganize the Group's structure. This foresaid reorganization will affect only the Group's business operation, which will facilitate its operation to become more efficient. After restructured, the Company still fully owns these 3 subsidiaries, and the restructuring will not have any effects on the Company's financial results in the Consolidated Financial Statements.

Detail of the Group's business operation after the restructuring process will be as follows:

1. City Steel Public Company Limited will be the Holding Company, operate businesses regarding investing in 3 subsidiaries which are Siam ISO Pro, Mark Worldwide, and City Steel Products.

2. Siam ISO Pro Co., Ltd. will operate businesses regarding merchandising of industrial materials, investing in new businesses, and overseeing the business expansion of the Group.

3. Mark Worldwide Co., Ltd. will operate businesses regarding manufacturing and sales of metal, semi-products, and fabricated metal parts as well as providing metal processing services.

4. City Steel Products Co., Ltd. will operate businesses regarding manufacturing and sales of metal structures, storage systems and material handling equipment, and other metal products.

The Group manufactures and sells metal structures, storage systems and material handling equipment, fabricated metal parts, other metal products, as well as provides metal processing services to both domestic and overseas customers under the brand "CITY STEEL". Although, the Group has the same executive management teams, it divides its operation into business units. Each unit has its own marketing and production teams but still keep up the same level of quality and standard for all products and services. The products are custom-made with specific shapes, sizes, and usage purposes as

requested by customers and will be produced once received the orders from the customers (Made to Order). The Group separates the operation into 4 business units as follows:

1. Manufacturing and sales of metal products

This business unit is operated by City Steel Products which produces and sells products in 3 categories as follows:



1.1 Metal Structures and Metal Fabrication

The products in this category are large-scale storage systems that used in factories or superstores. Product sizes and types are varied according to customers' requirements such as racking systems, mezzanine platforms, and shelving systems. In addition, this category also consists of metal fabrication that can be used as construction structures such as post, beam, panel, roof, and stair structures.



Racking System



Mezzanine Platform

NATURE OF BUSINESS



Shelving System



Construtlional Products

1.2 Storage System and Material Handling Equipment

Storage Systems

In this category, the products are small-scale storage systems that specifically made in different types, sizes, and usage purposes depend on requests of customers such as mobile shelving systems, cabinet, and locker.



Mobile Shelving System



Cabinet & Locker

Material Handling Equipment

Material handling equipments are commonly used in transferring and handling processes in the production lines or assembly lines in the factories, and can be used in superstores, seaports or other places that required a carrying of products from place to place. Examples of Material Handling Equipment are Cart & Dolly, Pallet, Conveyor System, and Dock Equipment.



Cart and Dolly



Pallet



Conveyor System



Dock Equipment

1.3 Other Metal Products

Other metal products are produced for a wide variety of usage purposes for example furniture, signage, and decorating and constructional products, etc.



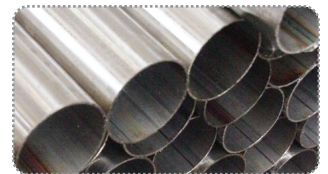
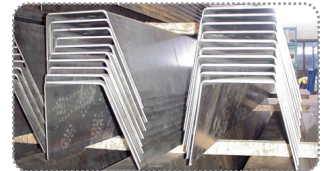
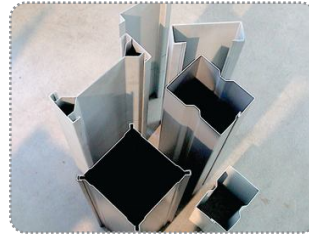
2. Manufacturing and sales of semi products and rendering of world class steel service center

This business unit is operated by Mark Worldwide, and can be classified into 2 categories as follows:



2.1 Manufacturing and sales of fabricated metal parts and rendering one stop metal processing services

In this category, the Company manufactures and sells semi products which are used as parts of customers final products and also provides first class metal processing services including laser cutting, shearing, bending, forming, punching, stamping, and finishing.



2.2 Metal Trade

The Company also merchandises metal materials as an additional service for customers. Normally, steel and other metal materials sold to customers are purchased from major local suppliers except for the materials that are not available in the country will be imported from international suppliers. Major metal materials sold include:

- ▶ Hot Rolled Steel Plate
- ▶ Checkered Plate
- ▶ Galvanized Steel Sheet
- ▶ Stainless Steel Sheet
- ▶ Furniture Steel Pipe
- ▶ Stainless Steel Square Pipe
- ▶ Cold Rolled Steel Plate
- ▶ Zinc Sheet
- ▶ Square Steel Pipe
- ▶ Stainless Steel Pipe

3. Supporting business

Supporting business unit is operated by the Company, responsible for every supporting

activity within the organization including accounting and finance department, human capital management function, administration, and corporate communication.



4. Investment

Investment unit is operated by Siam ISO Pro, accountable for investment in new business and oversee business expansion of the Group.



NATURE OF BUSINESS

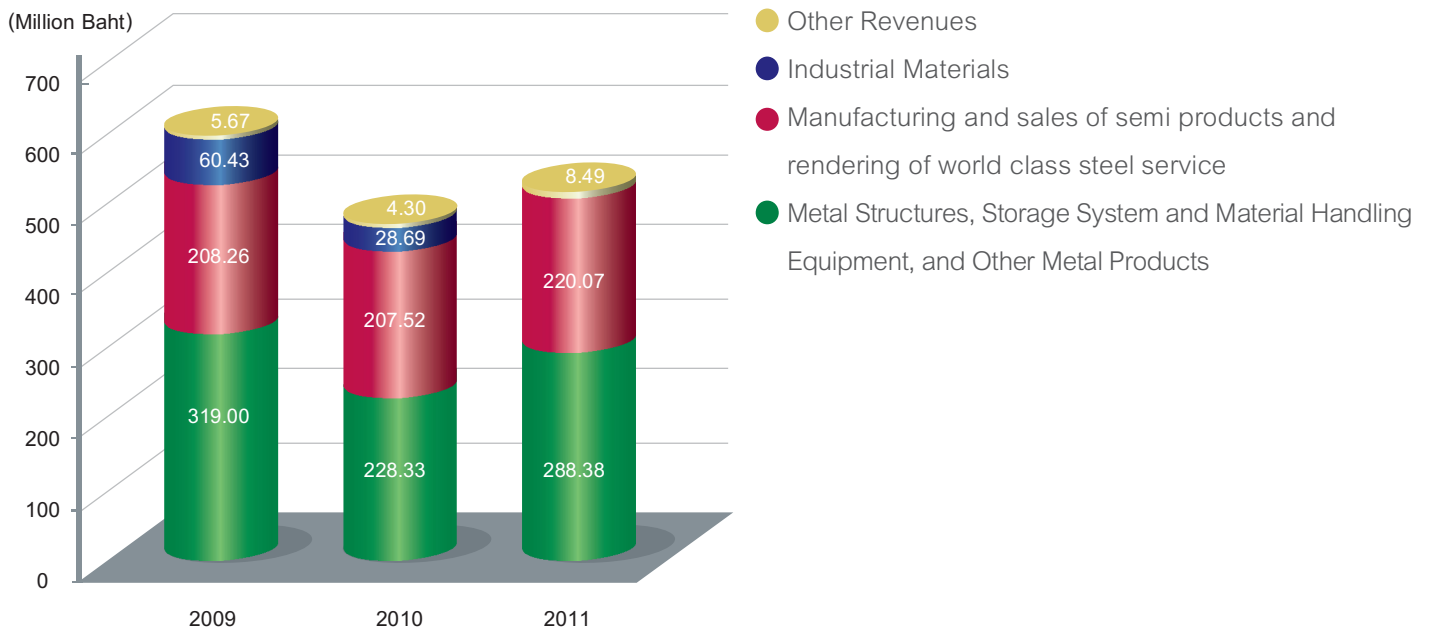
As at 31 July 2011, the Group has 6 business locations as follow :

The Group	Asset	Address	Tenure
The Company	Office	88/3 Moo 4, Bypass Road,	Rent
	Area approximately 576 square meters	Nongmaidaeng, Muang, Chonburi	
Siam ISO Pro Co., Ltd.	Office	88/2 Moo 4, Bypass Road,	Rent
	Area approximately 96 square meters	Nongmaidaeng, Muang, Chonburi	
Mark Worldwide Co., Ltd	Office and Factory	41/58-61 Moo 1, Bypass Road,	The proprietary
	Area approximately 8 rai 69 squared wah	Bansuan, Muang, Chonburi	right of MWW
	Factory (Branch 1)	120,122/8 Moo 3, Sukhumvit Road,	Rent
	Area approximately 1,680 square meters	Bansuan, Muang, Chonburi	
	Factory (Branch 2)	88/5 Moo 4, Bypass Road,	Rent
	Area approximately 8,208 square meters	Nongmaidaeng, Muang, Chonburi	
City Steel Products Co., Ltd.	Office and Factory	88/20 Moo 10, Bypass Road, Napa,	The proprietary right
	Area approximately 23 rai	Muang, Chonburi	of City Steel Products

Revenues Structure

Revenue Types	Generating by	2008 / 2009 (Aug 08-Jul 09)		2009 / 2010 (Aug 09-Jul 10)		2010 / 2011 (Aug 10-Jul 11)	
		MB	%	MB	%	MB	%
Revenue from Domestic							
•Metal Structures, Storage System and Material Handling Equipment, and Other Metal Products	The Group	309.53	52.16	212.39	45.30	275.57	53.31
•Manufacturing and sales of semi products and rendering of world class steel service	The Group	208.26	35.10	207.52	44.26	220.07	42.57
•Industrial Materials	The Group	60.43	10.19	28.69	6.12	0.00	0.00
Total Revenue from Domestic		578.22	97.45	448.60	95.68	495.64	95.88
Revenue from International							
•Metal Structures, Storage System and Material Handling Equipment, and Other Metal Products	The Group	9.47	1.60	15.94	3.40	12.81	2.48
•Manufacturing and sales of semi products and rendering of world class steel service	-	-	-	-	-	-	-
•Industrial Materials	-	-	-	-	-	-	-
Total Revenue from International		9.47	1.60	15.94	3.40	12.81	2.48
Other Revenues	The Group	5.67	0.95	4.30	0.92	8.49	1.64
Total Revenues		593.36	100.00	468.84	100.00	516.94	100.00

Revenue Structure by Product Categories



Industry Condition and Competition

Manufacturing of metal products and rendering steel processing services is the industry that requires a plenty of efforts, knowledge, competencies, skills, and experiences. Furthermore, to maximize customers' satisfaction and keep up with different needs and demands of customers, a modification of machines to create new products and an employing of new technology in production processes to enhance production efficiency, improve product quality, reduce material wastes, and trim down production costs are crucial criteria. Research and development of new products to meet customers' requirements, on time delivery, and pre-sales and post-sales customer services are also the significant factors that needed to emphasize in order to succeed in this industry.

With more-than-10-year of experiences along with knowledge and skills in this industry, the Group is not only able to manufacture various types of products but also able to provide a variety of services which contribute to customers' satisfaction and ultimately create trust and confidence among customers. The key success factors of the Group can be summarized as follows:

Quality

The Group has a policy to manufacture excellent

quality products that need to be tidy and durable by employing quality control in every production process.

Cost

The Group efficiently manages production costs by minimizing wastes in all production processes and maximizing benefits of raw materials uses.

Delivery

The Group emphasizes on on-time delivery of products.

Innovation / Design

The Group provides consultations, advices, and recommendations together with discusses with customers to find out customers' needs and then creates the engineering designs of the products to meet those needs.

Service

The Group determines to offer the best customer services both before and after sales of products, for example providing consultations before selling the products, installing the products at customers' facilities, and inspecting functionality of the products after installation.

Brand

The Group strives to create brand awareness and recognition from customers for the Group's products that manufactures and sells under the brand "CITY STEEL"

NATURE OF BUSINESS

Customer Categories and Prospects

1. Domestic Customers

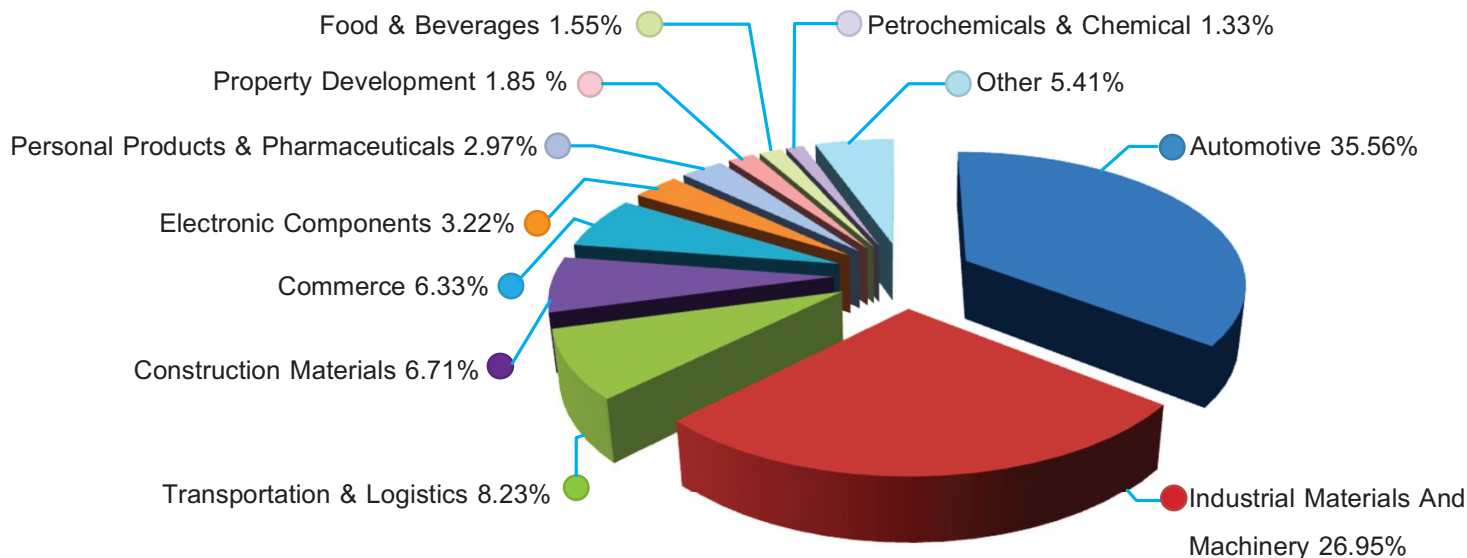
Domestic customers are users who use and employ all metal related products and services. The majority of customers are industrial users with medium to large in corporate sizes including companies in sectors of automobile industry, agribusiness and food industry, consumer products, finance and securities, industrial materials and machinery, property development and construction materials, professional services, energy and utilities, technology, and vice versa, which reside in every region of Thailand. Although, customers are located around the country, the Group is able to deliver and install the products to every customer. The Group maintains good relationships with customers, which resulted in repeated order from most of the customers. As at 31 July 2011, the Group's customer base is well diversified with over 2,000 companies in 25 industrial sectors as follows:

- ▶ Agribusiness
- ▶ Food and Beverage
- ▶ Fashion
- ▶ Health Care Services
- ▶ Mining
- ▶ Banking
- ▶ Commerce
- ▶ Automotive

- ▶ Information & Communication Technology
- ▶ Construction Materials
- ▶ Property Development
- ▶ Professional Services
- ▶ Personal Products & Pharmaceuticals
- ▶ Media and Publishing
- ▶ Finance and Securities
- ▶ Petrochemicals and Chemicals
- ▶ Industrial Materials and Machinery
- ▶ Paper and Printing Materials
- ▶ Energy & Utilities
- ▶ Transportation & Logistics
- ▶ Home & Office Products
- ▶ Packaging
- ▶ Insurance
- ▶ Tourism & Leisure
- ▶ Electronic Components

2. Foreign Customers

The Group's overseas customers mainly are industrial users in automotive industry and other industries as well as distributors. Major exporting markets are Australia, New Zealand, Japan, Malaysia, South Korea, China, India, Vietnam, and countries in the European Union. The Group foresees the potential of foreign markets that have high purchasing power and attempts to expand to those markets.



Risk factors that may influence the operations, financial status, and financial performance of the Group can be classified as follows:

Risk associated with fluctuations of raw material prices

Metal prices are directly related to demands and supplies of metal consumers and producers around the world and other related factors such as foreign exchange rate, import duty, and surcharge. Since, major raw materials used in production are steel including hot-rolled plates, cold-rolled plates, profiled steel, as well as stainless steel and aluminum, which accounted for 57.53 of cost of goods sold, changes in the metal prices may directly affect the Group's cost of goods sold and operating profits.

However, the Group uses cost-plus pricing strategy to set up a selling price for each projects. Additionally, the Group closely monitors the changes in metal prices to assess situations and trends in order to manage inventory levels and determine order quantities. Due to cost-plus pricing strategy and proper inventory management system, the fluctuations of raw material prices do not have significant effects to the Group's operating results.

Risk associated with dependence of domestic market

Presently, the Group's major revenues mainly derive from domestic sales. The proportion of domestic sales in 2008/2009, 2009/2010, and 2010/2011 are 98.36%, 96.57%, and 97.48%, respectively. In case of domestic economies slow down, it may have an effect on the Group's revenues and net incomes

However, the Group has built and maintained good relationships with customers by emphasizing on the product design and development in order to meet customers' needs. Furthermore, on-time delivery and good services, on both before and after sales, have also impressed the Group's customers. This has created a positive word of mouth and encouraged others to try the Group's products and services. This, in turn, has made a customer base to grow rapidly. Nowadays, the Group has over 2,000 customers and tends to increase continuously

Furthermore, the Group plans to expand to foreign market by increasing distribution channel through oversea agents and participating in several trade exhibitions. The

expansion of foreign market will be able to eliminate the risk of relying on domestic market.

Risk associated with economic conditions

Even though, political conflicts in the country has been resolved and the government has issued various policies to stimulate the economy, sovereign debt crisis in the European countries and financial crisis in the U.S. still negatively affect the global economy which consequently affect domestic economy. Once the domestic economy is in a recession, investment from or expansion of industrial sector will relatively decrease and demands for capital goods like the Group's products will eventually decline. To overcome these threats, the Group concentrates in providing varieties of good quality products and services that meet the target customers' needs and builds brand awareness among groups of prospects and customers. Furthermore, the Group also focuses on customers in the industrial sectors that are least affected by the economic crisis to offset the impacts of diminishing demands from customers in the sectors that are most affected by the crisis. Consequently, the Group is capable to maintain its market share, minimize the impacts of the economic recession, and at the same time, expand the customer base. Currently, the Group has a customer base of over 2,000 customers in 25 industries, which help the Group to diversify the risk of relying on one particular industry.

Risk associated with uncertainty of revenue

As the nature of the Group's business, the type of sales is a project sale, which occurs from time to time, without a long-term contract with a customer. Thus, the Group's revenues seem to be non-continuous. The process starts when customer sends in a product or service inquiry. Then the Group will provide consulting services and all the information related to a customer's inquiry. Engineering team will do number of calculations concerning the strength of the steel structure and its loading capacity. The quotation will be prepared later on for customer to do the cost comparison. Then the production process will start only after receiving of customer's confirmed purchased order. According to this selling process, the Group has to deal with an uncertainty in revenue.



RISK FACTORS

In addition, most of the Group's products, for example storage shelf, conveyor, pallet, display stand, and so on, are used as equipment for customer's operation, not as direct material, which will be used in the production process. Therefore, the product's useful life is quite long by nature. The customers will purchase the Group's products only when they have a new construction project or expansion. Each purchase is difficult to predict and comes from time to time, resulting in lack of continued purchasing.

The Group has minimized the effect of uncertainty of revenue by introducing a variety range of products and services, which can meet the demands from several industries. The Group continuously does research and development for both existing and new products to cope up with changes and different needs and requirements of each customers.

Risk associated with granting lines of credit to customers

As at 31 July 2011 the Group's accounts receivable was Baht 90.25 million, which equaled to 17.75% of revenues, with average collection period of 54.49 days. According to these figures, the Group has exposed to the collection risk of the accounts receivable and may incur some collection expenses if the Group's customers have problems in operating their businesses, and consequently affect the Group's operating profits and financial status.

Nevertheless, the Group regularly monitors quality of each accounts receivable and has a strict policy in granting the lines of credit to each customer. The management teams will consider credit terms for customers together and approve in written documents. In considering of granting credit terms, the management teams will consider several factors including customers' nature of businesses, financial positions, ordering amounts, and past payment histories, as well as having customers' company visits and speaking with executive management in order to gain confidence in approving the credit terms and minimize the risk associated with granting credit terms to customers.

Risk associated with entry of potential newcomer

The Group manufactures and sales structural steel, material handling and storage system equipments,

processed steel and providing full-range steel service in the eastern region of Thailand. The Group's customers are located throughout the country but located intensely around eastern region of Thailand, Bangkok and Bangkok metropolitan areas. Most of the Group's competitors are small size companies spreading around the community. Some are large, but do not manufacture full product ranges or provide full-range steel services as the Group does. Hence, the Group is considered as the industry leader.

As the nature of steel-processing industry, it does not require large amount of investment. Therefore, new competitor has a chance to enter the industry. The emergence of a high potential competitor with modern technology and good management may affect the Group's market shares.

However, to survive and prosper in this business, it requires experiences and it also take times to gain customers' reliability. It needs expertise, product development, and production process development in order to achieve higher efficiency. Through several years, the Group has established a good relationship with customers by emphasizing on the product design and development that meet customers' needs, on-time delivery, and before and after sales services. This has impressed the Group's customers and make customer base to grow along with an increasing number of repeated orders consequently.

Risk associated with exchange rate

In 2010/2011, the Group has imported goods from overseas in Euros and US Dollars currencies and exported goods in US Dollars currencies, which exposes the Group to foreign exchange risk. The Group has managed the foreign exchange risk by closely monitoring the exchange rate and purchasing a forward contract or making an early payment based on a suitable level of cash flow.

In the future, the Group still has to import some goods from overseas and export to overseas customers. Therefore, the mentioned foreign exchange risk management policy will be employed, which will depend on situation and appropriateness.

SHAREHOLDER'S STRUCTURE

The major shareholders whose names appeared in the share registrar as at 14 October 2011 are shown as follows:

Name of Shareholders	Number of Shares	%
1. WKP Asset Plus Company Limited ^{/1}	166,500,000	55.50
2. Mr.Bundit Phongratanadechachai	10,108,700	3.37
3. Thai NVDR Company Limited	8,066,000	2.69
4. Mr.Komgrich Phongratanadechachai	7,709,625	2.57
5. Mr.Wibool Phongratanadechachai	7,500,000	2.50
6. Mrs.Kheng Phongratanadechachai	7,500,000	2.50
7. Mr.Satit Phongratanadechachai	7,500,000	2.50
8. Miss Suputra Phongratanadechachai	7,500,000	2.50
9. Mrs.Orawan Phongratanadechachai	7,500,000	2.50
10. Mr.Chaiyong Piyawatkul	6,000,000	2.00
11. Miss Kanya Numsirikul	2,640,500	0.88

Notes ^{/1} WKP Asset Plus Co., Ltd. is the Holding Company of City Steel Public Company Limited and is fully owned by Phongratanadechachai Family.

MANAGEMENT STRUCTURE

Management structure of the Company consists of 3 Committees. The Board of Directors, Executive Directors, and Audit Committee which have duties and responsibilities as follows:

The Board of Directors

Non-Executive Directors	1	member
Executive Directors	4	member
Independent Directors	3	member

As of 31 July 2011, the Board of Directors consisted of 8 members as listed below:

Chairman of the Board of Director

- | | |
|--------------------|----------------------|
| 1. Mr. Wibool | Phongratanadechachai |
| Director | |
| 2. Mr. Komgrich | Phongratanadechachai |
| 3. Mr. Satit | Phongratanadechachai |
| 4. Miss Suputra | Phongratanadechachai |
| 5. Mr. Charoenpong | Ongwongsakul |
| 6. Mr. Manop | Chiwatanasoonon |
| 7. Mr. Anutara | Tantraporn |
| 8. Mr. Patarathorn | Thatsanasuwan |

Authorized Directors

The authorized directors are Mr.Wibool Phongratanadechachai, Mr.Komgrich Phongratanadechachai, Mr.Satit Phongratanadechachai and Miss Suputra Phongratanadechachai. The two directors out of four co-sign with the Company seal.

Roles and Responsibilities of the Board of Directors

The Board of Directors has duties as representatives of shareholders and has authorities as follows:

1. To perform their duties with honesty, integrity and prudence in accordance with laws, the Company's objectives, and articles of association, as well as the resolutions of shareholders' meetings, and carefully protects the Company's interests.
2. To set out the direction of the Company's operations and supervise the management team to act in accordance with plans which are set out efficiently and effectively, and thereby maximize the economic value and wealth of the Company and its shareholders.
3. To monitor the executives as such they efficiently operate according to the Company's policies. Also, to

ensure that the executives disclose all material issues that affect the Company's operations as well as connected transactions, which shall be comply with the rules and regulations of the Security Exchange Commission.

4. To effectively implement the internal control and internal audit systems, and set up the internal control and audit department to perform the control and audit operation as well as coordinate with Audit Committee.

5. To appoint an Executive Director or Managing Director or other authorized persons who have to manage under the Board of Directors' control. The appointment must be resolved by the resolution of the Board of Directors in the meeting that attended by Independent Directors or Audit Committee. If any particular Independent Director or Audit Committee oppose or do not agree with the appointment of the Executive Directors, the opinion of the Independent Director or Audit Committee must be clearly stated in the minutes of meeting. The appointment must specify scope of duties and responsibilities of the authorized directors. In addition, the appointment must not allow the appointed person to have full authority to authorize the transactions that he/she has or may have conflict of interests with the Company or subsidiaries.

6. To conduct business operation ethically and with honesty and integrity, as well as pay sufficient attention to the business that they are the committee and have intention to continuously run the operation.

7. To be responsible, protect the benefits and rights of all shareholders and ensure that the Company's information is disclosed to the shareholders in accurate, complete, proper, and transparent manner.

8. To consider and approve business plan, annual expenditure including acquisition or disposal of assets, which exceeding the power of Executive Directors; including approve joint venture plan to expand business and approve loan except the loans for operating cash flow which approved by Executive Director.

However, that above authorization must comply with rules, regulations, and resolutions that approved by the Board of Directors and must not authorize the

transactions that may have conflict of interests with the Company or subsidiaries. In addition, the transactions must be presented to the Board of Directors for their considerations. The Board of Directors have authorized the Authorized Directors to perform general operating tasks except for the following tasks that must be authorized by the Shareholders' meeting.

1. The transaction that are required by law to receive the Shareholders' Meeting approval such as transfers or dispose of operations, increase capital, merger and acquisition, etc.

2. The transactions that might lead to any conflict of interests as well as are required by laws and/or regulations of the Stock Exchange of Thailand to receive the Shareholders' Meeting approval.

The transactions as specified below should be approved by the Board of Directors' Meeting and the Shareholders' Meeting with not less than three-fourth of the voting right of the Shareholders who are present at the meeting and have the right to vote.

1. To sale or transfer the whole or any significant parts of the Company.

2. To purchase or acquire business of other companies or private company.

3. To engage in, amend or cancel the rental agreement of the whole or any significant business of the Company, to assign others to manage the Company and to merge the Company with others with a purpose of profit sharing.

4. To amend the Company's memorandum of association.

5. To increase or decrease registered capital.

6. To liquidate the Company.

7. To issue bonds.

8. To merge the Company with other company.

Criteria and Procedures of Directors and Executives Nomination

The Board of Director shall consist of not less than five (5) persons. Not less than one-half of the number of such directors must reside within the Kingdom of Thailand.

According to the Company's Articles of Association, at the annual general meeting of shareholders, one-third of the directors shall leave. If one-third is not a round number, the number closest thereto shall be the applicable number. The departed directors may be re-elected. However, the directors shall be a qualified person with experiences and possess no characteristic prohibited by law. The Directors shall be elected at a shareholders meeting in accordance with the criteria and procedures as follows:

1. Each shareholder has one vote for one share.

2. Each shareholder may exercise all the votes he or she has under the criteria No. 1 to elect one or several persons as director or directors, but the shareholder may not split his or her votes between any directors or any group of directors.

3. Person who receives the highest vote arranged in order from higher to lower, in a number equal to that of the number of directors to be appointed, are elected to be the directors of the Company. In the event of a tie at a lower place, which would make the number of directors greater than the elected position, the Chairman of the meeting would have a casting vote.

If a Director's position becomes vacant due to reasons other than completion of term, the remaining Director will select a qualified candidate who possesses no forbidden characteristic as a replacement at the following Board of Directors' Meeting. To become a new director, the candidate shall be voted by not less than three-fourth of the remaining directors. An exception exists if the said directorial position has a period of less than 2 months to completion of term. In addition, the replacement director may serve only the period remaining to completion of the director whom he or she replaced

In the shareholders meeting, shareholders may have a resolution to discharge any directors before completion of terms. In such case, the votes of not less than three-fourth of the shareholders who attend the meeting and have the rights to vote with shares counted not less than one-half of total shares held by shareholders who attend the meeting and have the rights to vote are required.

MANAGEMENT STRUCTURE

Attendance of Director Meeting for the year 2010/2011

Name of Director	Position	No. of attendance / Total of meeting (Times)
1. Mr.Wibool Phongratanadechachai	Chairman of the Board of Director	4 / 4
2. Mr. Komgrich Phongratanadechachai	Director / Chief Executive Officer	4 / 4
3. Mr. Satit Phongratanadechachai	Director / Managing Director	4 / 4
4. Miss Suputra Phongratanadechachai	Director / Chief Financial Officer	4 / 4
5. Mr.Charoenpong Ongwongsakul	Director / Deputy Managing Director	4 / 4
6. Mr. Manop Chiwatanasoonton	Director / Chairman of the Audit Committee	4 / 4
7. Mr. Anutara Tantraporn	Director / Audit Committee	4 / 4
8. Mr. Patarathorn Thatsanasuwan	Director / Audit Committee	4 / 4

Board of Directors Remuneration

	Year 2008/2009		Year 2009/2010		Year 2010/2011	
	Amount (Baht)	Remu- nerations	Amount (Baht)	Remu- nerations	Amount (Baht)	Remu- nerations
1. Mr.Wibool Phongratanadechachai	60,000.00	Meeting	64,500.00	Meeting	66,000.00	Meeting
2. Mr. Komgrich Phongratanadechachai	-	-	-	-	-	-
3. Mr. Satit Phongratanadechachai	-	-	-	-	-	-
4. Miss Suputra Phongratanadechachai	-	-	-	-	-	-
5. Mr.Charoenpong Ongwongsakul	-	-	-	-	-	-
6. Mr. Manop Chiwatanasoonton	60,000.00	Meeting	64,500.00	Meeting	66,000.00	Meeting
7. Mr. Anutara Tantraporn	48,000.00	Meeting	51,600.00	Meeting	52,800.00	Meeting
8. Mr. Patarathorn Thatsanasuwan	48,000.00	Meeting	51,600.00	Meeting	52,800.00	Meeting

Audit Committee

As at 31 July 2011, the Audit Committee consists of 3 Independent Directors as below:

Chairman of the Audit Committee

1. Mr. Manop Chiwatanasoonon

Audit Committee

2. Mr. Anutara Tantraporn

3. Mr. Pattarathon Thatsanasuwan

The Audit Committee who has experiences in reviewing of the Company's financial statements is Mr. Manop Chiwatanasoonon, Chairman of the Audit Committee and presently resides in the position of Director of the Bureau of Supporting Industries Development, Department of Industrial Promotion.

Roles and Responsibilities of the Audit Committee

The Audit Committee of the Company has the scope of duties and responsibilities according to rules and regulations of Security Exchange Commission and Stock Exchange of Thailand, and shall report the following duties and responsibilities to the Board of Directors.

1. To review and ensure that the financial statements are accurately and adequately disclose by cooperating with the Company's external auditor and executive who is responsible for the quarterly and annually financial statement. Also, to recommend the external auditor to review or audit any transactions deemed significant during the auditing period.

2. To review internal control system and internal audit system to ensure appropriateness and effectiveness by cooperating with external auditor and internal auditors. Moreover, to review an independence of the internal audit department and consider rotating or discharge chief of the internal audit department as well as other departments that responsible for internal audit activities.

3. To review and ensure whether the Company's operations comply with the rules and regulations of the Security Exchange Commission and the Stock Exchange of Thailand, as well as relevant laws.

4. To consider, select and nominate the independent external auditor and propose the auditor's remuneration to the Board of Director for the approval of the Shareholders'

Meeting by considering the reputation, resources, capacity, as well as the experience of such external auditor.

5. To ensure the accuracy and completeness of the disclosure of connected transactions or transactions that may lead to any conflict of interests.

6. To prepare report on the activities of the Audit Committee and disclose such reports in the annual report of the Company. The report to be signed by the Chairman of the Audit Committee shall contain the following information :

- Opinion on the accuracy, completeness and reliability of the preparation process and the disclosure of information in the financial reports of the Company.
- Opinion on the sufficiency of the internal control system of the Company.
- Opinion on the compliance with the Securities and the Stock Exchange Acts, regulations of the Stock Exchange of Thailand or any other laws relating to the business of the Company.
- Reasons to support the qualifications of the auditors of the Company for being appointed for another term.
- Opinion on transactions with may have conflict of interests.
- Number of Audit Committee meetings and attendance of each member of Audit Committee.
- Overall opinion or notices from performing duties according to the Charter.
- Any other reports deemed necessary for shareholders and general investors within the scope of duties and responsibilities as assigned by the Board of Directors of the Company and/or with the aim of complying with the law.

7. To perform any other operation assigned by the Board of Directors and deemed appropriate by the Audit Committee. For instant, reviewing the policy of financial management and risk management, reviewing the compliance with the business ethics of executives, collaborating with the Company's executives to review any important reports to be disclosed to the public as required by laws, such as the reports and analyses of management, and so on.

8. The Audit Committee may seek the independent opinions from outside counselor as deemed necessary on the Company's expense.

Characteristics and criteria for the selection of Independent Director and Audit Committee

The Company does not set up a Nomination Committee for Audit Committee selection. Nevertheless, the Company has established guidelines and criteria for such selection process. The Board of Directors will determine qualified persons to become its members, based on their abilities, experiences, vision and reliability. The Audit Committee is appointed by the resolution from the Shareholders' Meeting, with 2-year term. The Audit Committee whose tenure has ended maybe reinstated. The Independent Director and Audit Committee should possess the following characteristics.

1. Independent Directors should be at least one third of all directors but not less than 3 persons.

2. Independent Directors are required to follow these guidelines;

1) Hold not more than 1% of all voting shares in the Company, parent company, subsidiaries, associates, or entities that may have conflict of interest.

2) Must not be an executive director, a former executive director, an employee, a consultant earning monthly salary, or person who has control over the Company, parent company, subsidiaries, associates, or entities that may have conflict of interest.

3) Must not be a person who has either genetic or legal relationships in terms of parents, siblings, spouses, and spouses of the children of the Company's executives, major shareholders, and persons who have control over the Company and subsidiaries.

4) Must not have business relationships with the Company, parent company, subsidiaries, associates, or entities that may have conflicts in a way that preventing him / her to express an independent judgment, as well as not be or used to be a major shareholder.

5) Must not be or used to be an auditor of the Company, parent company, subsidiaries, associates, entities that may have conflict of interest, or major shareholder.

6) Must not render or used to render professional service including financial advisory that receive annual service fees of more than THB 2 Million from the Company, parent company, subsidiaries, associates, or entities that may have conflict of interest.

7) Must not be a director who has been appointed to represent the Company's directors, major shareholders, or shareholders who are related to the major shareholders of the company.

8) Must not possess any characteristics that preventing from expressing opinion regarding the Company's operation independently.

Executive Directors

As at 31 July 2011, the Company had 4 members of the Executive Director consisting of:

Chairman of the Executive Director

1. Mr. Komgrich Phongratanadechachai

Executive Director

2. Mr. Satit Phongratanadechachai

3. Miss Suputra Phongratanadechachai

4. Mr. Charoenpong Ongwongsakul

Executive Director's Roles and Responsibilities

1. Has authority to order, plan, and manage the Company operation according to the policy settled by the Board of Directors.

2. Determine the strategy of the Group's operations.

3. Determine business plans, investment guidelines, and fund raising solutions according to the Group's policies.

4. Approve any agenda prior to submitting to the Board of Directors.

5. Hire, appoint, transfer, discharge, determine wages, provide pensions, and raise monthly salaries, remunerations, and bonuses of the position of department managers or above.

6. Consider and set welfare of employees to be consistent with situations, customs, and relevant laws.

7. Approve the investment, purchasing and disposing of the Group's assets as well as sourcing and procurement, borrowing, lending activities, and engaging in business contracts or undertaken in legal act, which related

MANAGEMENT STRUCTURE

to normal business and objectives of the Group under the authority levels stated in the Company's Codes of Conduct.

The Executive Director also has the authority to make decisions relating to any normal business transactions of the Company, which does not include approval of transactions which may cause a conflict of interest with the Company or its subsidiary according to the Stock

Exchange of Thailand's regulations. The Executive Director is required to obtain approval from the Board of Director or Shareholders for connected transactions in accordance with the Company's Articles of Association or relevant laws, except for normal business transactions already covered by existing guidelines approved by the Board.

Management Team

1. Mr. Komgrich	Phongratanadechachai	Chief Executive Officer
2. Mr. Satit	Phongratanadechachai	Managing Director
3. Miss Suputra	Phongratanadechachai	Deputy Managing Director /Chief Financial Officer
4. Mr. Charoenpong	Ongwongsakul	Deputy Managing Director
5. Miss Walailuk	Kuhapensang	General Manager - Core Function
6. Miss Boontip	Phetry	General Manager - Supporting Function / Accounting and Financial

Company Secretary

1. Mrs.Parichard	Phongratanadechachai
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Executive Director Remunerations

	Year 2008 /2009		Year 2009/2010		Year 2010/2011	
	Persons	Amount (Baht Million)	Persons	Amount (Baht Million)	Persons	Amount (Baht Million)
Total Salary	6	7.02	6	7.20	6	7.16
Total Bonus	6	0.70	6	0.76	6	0.74
Total	6	7.72	6	7.96	6	7.90



Details of All Directors and Executives

No	Name	Age (Years)	Academic Qualifications	Share Holding(%)	Family relations betweenexecutive	Previous 5 year experience		
						Year	Position	Company
1	Mr. Wibool Phongratanadechachai	67	- N/A	2.50	Father	1995 - Present	Chairman of the Board of Directors	City Steel Pcl.
			- Director Accreditation Program (DAP)					
			26/2004				*(Authorized Directors)	
			Thai Institute of Director Association (IOD)					
2	Mr. Komgrich Phongratanadechachai	39	- MBA : Business Administration,	2.57	Mr.Wibool's son	2002 - Present	Director / Chief Executive Officer	City Steel Pcl.
			Strayer University, USA			1995 - Present	Chairman of Executive Director	City Steel Pcl.
			- BBA : Business Administration,					
			Assumption University					
			- Director Accreditation Program (DAP)				*(Authorized Directors)	
			27/2004					
			Thai Institute of Director Association (IOD)					
3	Mr. Satit Phongratanadechachai	36	- MBA : Business Administration,	2.50	Mr.Wibool's son	2002 - Present	Director / Managing Director	City Steel Pcl.
			Shenandoah University, USA			2002 - Present	Executive Director	City Steel Pcl.
			- BBA : Business Administration,					
			Assumption University				*(Authorized Directors)	
			- Director Accreditation Program (DAP)					
			26/2004					
			Thai Institute of Director Association (IOD)					
4	Miss Suputra Phongratanadechachai	29	- MBA : Business Administration,	2.50	Mr.Wibool's	2003 - Present	Director / Deputy Managing Director	City Steel Pcl.
			San Francisco State University, USA		daughter	2003 - Present	Executive Director	City Steel Pcl.
			- BBA : Business Administration,					
			Assumption University				*(Authorized Directors)	
			- Director Accreditation Program (DAP)					
			26/2004					
			Thai Institute of Director Association (IOD)					



Details of All Directors and Executives

No	Name	Age (Years)	Academic Qualifications	Share Holding(%)	Family relations between executive	Previous 5 year experience		
						Year	Position	Company
5	Mr. Charoenpong Ongwongsakul	33	- B.Eng : Electrical Engineering	0.30	Brother of Mr.Komgrich's spouse	2005 - Present	Director / Deputy Managing Director	City Steel Pcl.
			King Monkut's University of Technology					
			Thonburi					
			- Director Accreditation Program (DAP)					
			61/2007					
			Thai Institute of Director Association (IOD)					
6	Mr. Manop Chiwatanasooton	55	- M.A. : Social Development	0.12		2006 - Present	Independent Director / Chairman of the Audit Committee	City Steel Pcl.
			Kasetsart University					
			- B.Econ : Economics (Public Finance)			2005-2006	Independent Director /Audit Committee	City Steel Pcl.
			Ramkhamhaeng University					
			- Director Accreditation Program (DAP)			Present	Director, Bureau of Supporting IndustrialDevelopment	Bureau of Supporting Industrial Development
			27/2004					
			Thai Institute of Director Association (IOD)			2007 - 2009	Director, Bureau of Industrial Management Development	Bureau of Industrial Management Development
						2004 - 2007	Plan and Policy Analysis Level 9	Department of Industrial -Promotion



Details of All Directors and Executives

No	Name	Age (Years)	Academic Qualifications	Share Holding(%)	Family relations between executive	Previous 5 year experience		
						Year	Position	Company
7	Mr. Anutara Tantraporn	40	- MA : Animation & Interactive Multimedia,	-	-	2006 - Present	Independent Director / Audit Committee	City Steel Pcl.
			Visual Communication RMIT University,			2010 - Present	Managing Director	Ideoseed Co., Ltd.
			Australia			2010 - Present	Executive Director	Hastin Kindergarten
			- Grad. DIP : Animation & Interactive			2009 - Present	ICT Division Manager	Phraram 3 Honda Cars Co.,
			Multimedia, Visual Communication RMIT					Ltd.
			University, Australia			2009	Executive Director	Ideoseed Co., Ltd.
			- Cert. DIP : Computer Aided Art & Design,			2009	Chief Technology Officer	Learn Balance Group
			School of Art and Design, RMIT			2005 - 2007	Manager of Software Application	College of Management
			University,Australia					-Mahidol University
			- Director Accreditation Program (DAP)					
			61/2007					
8	Mr. Pattarathon Thatsanasuwan	36	- LL.B. : Law, Ramkhamhaeng University	-	-	2006 - Present	Independent Director /Audit Committee	City Steel Pcl.
			- B.Sc. : Science, ChandrakasemRajabhat			2010 - Present	Consultant and Partner	Beyond99 Insurance Broker
			University					Co., Ltd
			- Director Accreditation Program (DAP)			2010 - Present	Consultant	Thai Fitting Home Group
			61/2007			2006 - Present	Lawyer and Partner	PTM and Associate Limited
			Thai Institute of Director Association (IOD)					Partnership Law Office.
						2003 - 2009	Partner	Pattarathon and Friend Law
								Office
						2003 - 2009	Juristic Person - Project Manager	Donjaedee Mansion Project 2
						2007	Advisor	17 Enterprise's Group Co.,
								Ltd.



Details of All Directors and Executives

No	Name	Age (Years)	Academic Qualifications	Share Holding(%)	Family relations between executive	Previous 5 year experience		
						Year	Position	Company
9	Miss Walailuk Kuhapensang	48	- Upper Secondary School	0.00 ^{/1}	-	2006 - Present	General Manager - Core Function	City Steel Pcl.
			Metropolis Non-Formal Education Center					
			- Director Accreditation Program (DAP)					
			27/2004					
10	Miss Boontip Phetruy	36	Thai Institute of Director Association (IOD)	0.00 ^{/1}		2006 - Present	General Manager - Support Function / Accounting and Finance Manager	City Steel Pcl..
			BBA : Management, Accounting					
			Phuket Rajabhat University					

Remark^{/1} Hold 15 shares, equal to 0.000005%

MANAGEMENT STRUCTURE

Details of Subsidiaries' Directors

	Subsidiaries		
	Siam ISO Pro Co., Ltd.	Mark Worldwide Co., Ltd.	City Steel Products Co., Ltd.
1. Mr.Wibool Phongratanadechachai	A, /	A, /	-
2. Mr.Komgrich Phongratanadechachai	B, /, //	B, /, //	A, /, //
3. Mr.Satit Phongratanadechachai	C, /, //	C, /, //	/, //
4. Miss Suputra Phongratanadechachai	D, /, //	D, /, //	D, /, //
5. Mr.Charoenpong Ongwongsakul	E	E	C
6. Mr.Manop Chiwatanasoonton	-	-	-
7. Mr.Anutara Tantraporn	-	-	-
8. Mr.Pattarathon Thatsanasuwan	-	-	-

Remark

A	=	Chairman of the Board of Director
B	=	Chairman of Executive Director, CEO
C	=	Managing Director
D	=	CFO
E	=	Deputy Managing Director
/	=	Director
//	=	Executive Director

The Board of Directors determines to follow the Code of Best Practices of director of listed company and also emphasizes on good Corporate Governance in consistent with the guidelines of the Stock Exchange of Thailand by considering overall stakeholders and social responsibilities. The Company promises to follow the Best Practices of Corporate Governance as below:

1. Corporate Governance Policy

To maintain a sustainable growth, the Company and the Board of Directors has determined the corporate governance policy as follows :

1. Operate clearly and verifiably, and adequately disclose important information to all related parties in a timely manner.
2. Manage carefully and responsibly with skill and efficiency to maximize shareholder wealth.
3. Implement appropriate and effective internal control systems, evaluate risk factors, along with regularly set strategies, make corrective actions, and monitor risk management.
4. Treat all shareholders and stakeholders equally and fairly.
5. Segregate clearly structures, duties, and responsibilities of each Board of Committee.
6. Monitor and encourage all directors, management, and employees to operate and do business ethically and fairly.

2. The Shareholders' Rights

The rights to receive company information

The Company forwarded the invitation letter to attend the meeting and agenda details, containing sufficient information for Shareholders' consideration. The documentation was distributed to Shareholders 7 days prior to the meeting. The Company records the resolutions and opinions of the meeting in full, shareholders may subsequently review these minutes for reference.

The rights to vote and express opinion

The Chairman shall be responsible for appropriate time management and encouraging shareholders to give their opinions and ask questions freely.

The rights to be treated fairly and equally with all other shareholders

All shareholders shall be treated equally according to shareholders' rights that they deemed to possess.

3. The Stakeholders' Rights

The Company emphasizes on the rights of all stakeholders as follow :

Employees : The Company treats all employees equally, fairly, conforms to the laws, and pays appropriate salaries and welfares.

Business partners : The Company follows trade rules when purchasing products from the business partners, referring to the contracts and regulations.

Customer : The Company is responsible to its customers by keeping high quality and standards for products and services at a reasonable price.

Competitors : The Company performs by the competitive rules; avoiding dishonesty and unfair practices designed to destroy the competitors.

Community : The Company emphasizes to preserve the environment by responsible and take care of the Company's activities so not to affect the social and community environment.

4. Shareholder Meetings

In each meeting, the documentation regarding date, time, place, and meeting agenda are distributed to shareholders at timely manner prior to the meeting. The Company allocates adequate time for the meeting and encourages shareholders to express opinions, give recommendations, and raise questions during the meeting.

The Company also neatly and safely keeps all the certified shareholders' minutes of meeting so the documents will be monitor easily.

5. The Leadership and Vision

Leaderships and vision of the Board of Directors according to the best practices of good corporate governance are listed below:

➤ The Board of Directors participates in the formulation (or provides its approval) of the vision, mission, strategies, business plan, goals, and budget of the Company. It also

oversees that management operates efficiently and effectively in accordance with the predetermined business plan and budget, with a view to creating the greatest degree of stability for shareholders.

- The Board of Directors ensures that the Company has a system of internal controls, internal audit activities, and risk management measures. The Board of Directors monitors the progress of such activities on a regular basis through Audit Committee's Meetings and Board of Directors' Meetings.

- The Board of Directors monitors management's operation to be consistent with the predetermined policy except for transactions that may have conflict of interests or transactions that required shareholders' opinion, according to regulations of the Security Exchange Commission and the Stock Exchange of Thailand.

- The Board of Directors determines and provides a clear distinction between the roles, duties, and responsibilities of the Board of Directors and the Executive Board, as per the details contained under the heading "Management Structure"

6. Conflicts of Interest

The Board of Directors thoroughly handles transactions that may have conflict of interests as well as monitor the uses of the Company's inside information for personal interests as follows:

- Transactions that may have conflict of interests. The Board of Directors is well informed of the transactions that may have conflict of interests. If such transactions have to be done, the Board of Directors will consider those transactions carefully and properly by relying on the Company's benefits. In the case, that the Company has any transactions that causes conflict of interests, the Company will propose those transactions to the Audit Committee to verify and give opinions on those transactions, which consequently propose to the Board of Directors. Furthermore, the Company will strictly conduct the transactions that may have conflict of interests according to rules and regulations of the Stock Exchange of Thailand.

- Supervision of the usage of inside information. The Company has a policy to prohibit directors and management in using the Company's information for his/her personal advantage either directly or indirectly according to details in supervision of inside information usage.

7. Business Ethics

The Company has determined the Business Ethics for the Board of Directors, Executive Management, and all personnel to be the Code of Conducts for all related persons to perform their duties fairly and honestly as well as the etiquettes in treating all stakeholders and community as follow:

Ethics for business operation

The Company shall operate its business with responsibilities, transparency, integrity, and competitiveness by treating all stakeholders with fairness and equality as below:

Shareholder : The Company shall operate the business with full ability and aims to obtain the good operating results for the wealth of the shareholders.

Customers : The Company shall manufacture goods and render services of good quality to meet customers' needs and at reasonable prices.

Suppliers or Creditors : The Company shall deal with suppliers, debtors, or creditors on a fairly cooperation basis.

Competitors : The Company shall operate the business within the good competition rules.

Employees : The Company shall give priority to develop the employees' quality of life.

Nation : The Company shall operate its business to create improvement and development to the nation under proper customs, regulations, and relevant laws.

Community : The Company shall avoid committing any acts that would jeopardize the environment and natural resources.

Ethics of the Board of Directors

1. Act in accordance with the statement of Business Conduct and practice ethical business conduct prescribed by the Company.

2. Act in accordance with laws, purposes, and

policies of the Company, as well as resolutions of the shareholders' meeting, and safeguard the Company benefits.

3. Perform their duties with responsibility and employing management skills and abilities to create prosperity and appropriate returns for the Company.

4. Emphasize on responsibility to the shareholders and stakeholders when performing their duties.

5. Should not take advantages by using the position in the Company, should not disclose the Company important information to outsiders, and should not exploit the undisclosed information for own benefits, as well as should not act in any way that may create conflict of interests.

8. Balance of power by Non-Executive Director

The Company appoints director to avoid allowing one person or group of people with authority to make decisions alone. These directors judge the effectiveness of management and build examination mechanisms and counterbalances. The Board of Directors in the Company consists of 8 directors who are

- 4 Executive members
- 4 Non - executive members
- There are 3 independent directors or equal to 37.50% of all directors.

9. Merging or Splitting of Titles

The Company's Chairman of the Board is not the same person as the Chairman of the Executive Director or the CEO, but both are related by blood. However, the Company clearly divided scopes of roles responsibilities between the Chairman of the Board of Directors, the Chief Executive Officer (CEO) with a clear stipulation. In addition, the Company has 3 Independent Directors/ Audit Committee, which facilitates a suitable balance and monitor management operation. Moreover, the Company has Internal Audit Department, which report directly to the Audit Committee and responsible for controlling and auditing the operation of the Company in accordance with its policy.

10. Remuneration of Directors and Executives

The remuneration of Directors and Executive shall

be set at an appropriate amount, which is in the same level of the industry, and sufficient to motivate and maintain qualified personnel. The remuneration of the directors shall be paid as meeting allowance according to the number of attendance, which shall be approved by Shareholders Meeting.

For the Executives, the Company shall provide remuneration according to the performance of each executive and the Company operation result.

11. Directors Meeting

It is the Company policy to hold a directors meeting at least 4 times a year and additional meeting may be held if appropriated. In each meeting, the agenda must be stated clearly and appointment letter shall be distributed 7 days prior to the meeting so that there is sufficient time for the directors to study all information before attending the meeting.

12. Sub - Committee

The Board of Directors shall appoint 3 Audit Committees to assist in corporate governance which the scope of authority is stated clearly and the Board of Executive Director is to manage the Company according to company policy. Even though there is no sub-committee to determine the remuneration, there are the primary procedures in considering suitable remuneration by comparing with remuneration data of similar-sized company in the same industry together with the Company operation result.

13. Internal Control and Internal Audit System

In order to achieve effective results in both executive and operation levels, the Company has specified clear and appropriate criteria and procedure in internal control system. The duty and authority of operating staff and executives are stipulated clearly in written. The duties of operator staff, supervisor, controller, and evaluator are separated to achieve proper counterbalance and counter investigation. Apart from this, there are internal financial controls by establishing financial report system to be submitted to responsible executives accordingly.

The Audit Committee has reviewed the adequacy, suitability, and efficiency of the internal control system through the cooperation between the management team

and the internal auditor. The result can be concluded that the operation and the management of the Company have been operated under adequate internal control system. The overall operation of the Company has arranged the working principle which can be counted as an adequate control and supervise that can bring the confident that the Company will be able to accomplish its objectives.

Internal Audit Department is also set up to assure that the main operation and financial activities of the Company are effectively carried out in accordance with its policy. In order that the Internal Audit Department can work independently on investigation and counterbalance, the Board of Directors has specified that the Internal Audit Department report directly to the Audit Committee and evaluated by the Audit Committee.

14. Report of the Board of Directors

The Board of Directors has to take responsibility for financial statements and information disclosed in the annual report. The financial statements are presented in accordance with general accepted accounting principles and Thai Accounting Standard by employing proper accounting policy on a consistency basis. In addition, important information is adequately disclosed in the Notes to Financial Statements.

The Board of Directors arranges the Audit Committee to review the Company's Financial Statements in terms of accuracy and adequacy, as well as the Company's internal control and internal audit system in terms of sufficiency and appropriateness.

The Audit Committee has an opinion that, the Company sufficiently and properly maintains internal control system and acceptable risk management, which in turn ensure that the financial statements are presented fairly and accurately.

15. Relationship with Investors

The Board of Directors realizes the important of accurate and timely disclosure, including disclosure of financial information and other information that may affect the Company's share price. Such disclosure will be done

through Stock Exchange of Thailand and the Company's website. Moreover, the Company has assigned Miss Boontip Phetruy as a contact person or investor relation to provide information about the Company to investors, shareholders, financial analysts, and relevant parties. The contact information are Tel (038) 782-064-68 or www.citysteelpcl.com or ir@wkpgroup.com

Supervision of the Usage of Inside Information

The Company has a policy of controlling and supervising the use of its inside information to gain profit from trading of the Company's securities in advance. Significant information shall be informed only to the Company's executives while only some parts of the information necessary for work conduct will be provided to the Company's employees. In addition, the Company prescribed measures of controlling and preventing its Director, Executive, and employees from using the Company's secret information for their own benefits. Employees found breaking of the Company's regulations would be subjected to penalties that are clearly specified. Details of the regulation concerning the inside information usages are as follow:

1. Director, Executive, and employee of the Company must keep the Company's secret and/or the Company's inside information.
2. Director, Executive, and employee of the Company must not disclose the Company's secret and/or inside information for their own or for other person benefits either directly or indirectly and whether they gain earnings in return or not.
3. Director, Executive, and employee of the Company must not buy, sale, transfer or receive the transfer of Company's securities by using Company's secret and/or inside information. They must not engage in any legal activities by using Company's secret and/or inside information that may cause damage to the Company either directly or indirectly. Closed relative of the Director, Executive, and employee of the Company are also subjected to this regulation. (Closed relative means person who related by blood, by marriage and by legal

registration such as father, mother, spouse, child, brother, sister, uncle and aunt including spouse of these persons.)

4. Director, Executive, and employee of the Company must not buy, sale, transfer or receive transfer of Company's securities for the period of 1 month before the Company's financial statement is disclosed to the public.

The Company has set disciplinary penalty for person who violates the above regulation. The penalty shall vary as deem appropriate and ranging from spoken warning, written warning, putting on probation, work suspension, discharging, or ceasing of employment without compensation.

In addition, the Company has informed its executive about their duties to report the holding of Company's securities as well as penalties prescribed in the Securities and Exchange Act B.E. 1992.

Dividend Policy

The Company has a policy to pay approximately 40% of its net profit after tax and legal reserve as dividends. However, the dividend payout maybe changed according to future investment plans and any other actions that deemed necessary and appropriate.

The changes in dividend payments should be under the condition that those actions must be taken for the best interests of shareholders, such as the provision for loan repayment, the new investment in business expansion, or in the case of any adverse change that might affect the Company's cash flow. The Board of Directors is authorized to consider the dividend payment, however, the resolution of dividend payment must be proposed for the approval of shareholders' meeting except for the case of interim dividend payment as the Board of Directors has the authority to approve before informing the interim payment to the subsequent shareholders' meeting.

For the Subsidiary Companies, the Board of Directors of the subsidiaries will consider their policy year by year. However, the resolution of dividend payment must be proposed for the approval of shareholders' meeting of the subsidiaries. The dividend maybe changed according to operating performance, financial position, and investment plan of the Company or the Group.

The Company paid dividend for 2009/2010 operation performance at Baht 0.08 per share or equal to 40% of net profit after tax and legal reserve.

Related Party Transactions

Amounts and Ending Balances of Related Party Transactions

During the years, the Group had significant business transactions with related parties, which could be summarized as follows.

Person/Juristic Person who may have conflicts of interests		Relationship	Transactions Details	Transactions Amounts (Million Baht)		Audit Committees' opinion on Related Party Transactions And necessity and appropriateness of Transactions
				Year 2009/2010	Year 2010/2011	
1	Siam C.T.P. Industrial Co., Ltd.	- Phongratanadechachai family is the major shareholders of Siam	(1) The Company - Electricity Expenses	0.95	1.00	The Company purchases electricity from Siam C.T.P. Industrial Co., Ltd. Actual volume of electricity used is calculated from the meter volume at the power generator and rate for electricity expenses is the rate that Provincial Electricity Authority charges to Siam C.T.P. Industrial Co., Ltd. plus margin.
	Business: Manufacturing and sales of metalautomotive accessories	C.T.P. Industrial Co., Ltd. with 100% proportion of total share. In addition Mrs. Kheng Phongratana				
	Address: 88 Moo.4 Bypass Road, Nongmaidaeng, Muang, Chonburi, 20000	dechachai and Mr. Bundit Phongratanadechachai, Mr.Wibool Phongratanadechachai's spouse and son are the directors of Siam C.T.P. Industrial Company Limited	(2) Mark Worldwide Co.,Ltd - Electricity Expenses	-	0.12	Mark Worldwide Co., Ltd. purchases electricity from Siam C.T.P. Industrial Co., Ltd. Actual volume of electricity used is calculated from the meter volume at the power generator and rate for electricity expenses is the rate that Provincial Electricity Authority charges to Siam C.T.P. Industrial Co., Ltd. plus margin.
						Audit Committees' opinion : These transactionsare appropriately and fairly determined in both commercial terms and pricing policy, and also generate benefits to the Company.

Related Party Transactions

Amounts and Ending Balances of Related Party Transactions

During the years, the Group had significant business transactions with related parties, which could be summarized as follows.

Person/Juristic Person who may have conflicts of interests	Relationship	Transactions Details	Transactions Amounts (Million Baht)		Audit Committees' opinion on Related Party Transactions And necessity and appropriateness of Transactions
			Year 2009/2010	Year 2010/2011	
2 WKP Asset Plus Co., Ltd. Business: Property Development Address: 88/8 Moo.4 Bypass Road, Nongmaidaeng, Muang, Chonburi, 20000	- WKP Asset Plus Co., Ltd. is the Holding Company by holding the Company's shares of 166.50 million shares, accounted for 55.50% of the registered capital.	(1) The Company - Rent Expenses	2.09	0.13	The Company rents office buildings from WKP Asset Plus Co., Ltd. with total area of 576 square meters. Rental period is 2 years 9 Month from 1 October 2010 to 31 July 2013. Rent expenses are similar to market price of other properties in the same area.
	- Phongratanadechachai family is the major shareholders of WKP Asset Plus Co., Ltd. with 100% proportion of total shares. In addition Mr. Wibool Phongratanadechachai, Mr. Komgrich Phongratanadechachai, Mr. Satit Phongratanadechachai, Miss Suputra Phongratana dechachai, and Mrs. Kheng Phongratanadechachai, Mr. Wibool Phongratanadechachai's spouse, total of 5 persons are the directors of WKP Asset Plus Co., Ltd.	(2) Siam ISO Pro Co., Ltd. - Rent Expenses	-	0.01	Siam ISO Pro Co., Ltd. rents office buildings from WKP Asset Plus Co., Ltd. with total area of 96 square meters. Rental period is 2 years 9 Month from 1 October 2010 to 31 July 2013. Rent expenses are similar to market price of other properties in the same area.
		(3) Mark Worldwide Co., Ltd. - Rent Expenses	-	0.49	Mark Worldwide Co., Ltd. rents office buildings and factories (Branch 1) with total area of 1,680 square meters and factories (Branch 2) with total area 8,208 square meters from WKP Asset Plus Co., Ltd. Rental period is 2 years 9 Month from 1 October 2010 to 31 July 2013. Rent expenses are similar to market price of other properties in the same area.
					Audit Committees' opinion: These transactions are appropriately and fairly determined in both commercial terms and pricing policy, and generate benefits to the Company.

Related Party Transactions

Measurement or Procedure for the Approval of Connected Transaction

The Company has policy for future related transactions with persons who may have conflict of interest ; the Company will proceed using the appropriate consideration and procedures as follows:

1. Related transaction of normal business and ongoing will be done on underlying normal commercial terms with fairness, reasonableness, and verifiability. The Audit Committee will review the connected transactions in terms of rationale and fairness every quarter.

2. In case of a related transaction outside normal business practice, the Company will have the Audit Committee review and provide opinions on the rationale of such transaction and appropriateness of terms. In case that Audit Committee has no experiences or expertise on any connected transaction arises, the Company would seek independent counselor or authorized auditor to give the opinion for such transaction and propose to Board of Directors or shareholders' meeting as deemed necessary. During the voting process, the persons who may have conflict of interest shall not have the rights to vote for those particular transactions. The Company would disclose any connected transactions in the note to audited financial statements.

The Audit Committee together with Executive Manage

ment have reviewed connected transactions based on the appropriateness and concluded that the connected transactions occurred during the year 2010/2011 were rationale and appropriate in both pricing policies and business terms and create benefits to the Company.

Policy and Future Trend of Connected Transaction

In the future, the Company may have connected transactions if it seemed appropriate. However, the Company shall abide by the rules and regulations of the Securities and Exchange Act, The Stock Exchange of Thailand's rules and regulations and other applicable laws. Additionally, the Company shall disclose any connected transactions in the notes to audited financial statements according to generally accepted accounting principles and also disclose in the annual report.

In order to comply with the Securities and Exchange Act (No. 4) B.E. 2551 which effective on 31 August, 2008, the Company has proposed for approval of the principles of connected transaction between the Company and subsidiaries and directors, executive managements, and related parties regarding normal business transactions or supported normal business transactions under general business terms from the Board of Directors to allow the management to approve transactions if such transactions meet the terms and conditions of the principles that have been approved.

Management Discussion and Analysis

Financial Position

Assets

As at 31 July 2011, the Group's total assets were Baht 938.73 million, which primarily consisted of properties, plants, and equipments as well as cash and cash equivalents. Properties, plants, and equipment accounted for Baht 520.33 million or equal to 55.43% of total assets. Major parts of properties, plants, and equipment derived from investment in properties, factories, office buildings, and machines of subsidiaries. Where as cash and cash equivalents amounted to Baht 212.59 million or equal to 22.65% of total assets. The Group's cash and cash equivalents were relatively high as a proportion of total assets since the Group needed to maintain these cash and cash equivalents as working capital. As sales increase, the Group will need more cash flows to operate the business, which including purchasing more goods and materials and incurring more accounts receivable. The remaining cash and cash equivalents will also be used in investing in the new subsidiary for constructing of the factories and office building as well as purchasing of assets used in business operation.

In the year 2010/2011, the Group's total assets increased by Baht 77.48 million or increased by 9.00% compared to those in the accounting period 2009/2010 which as at 31 July 2010 were Baht 861.25 million. The increase in the Group's total assets mainly derived from increases in accounts receivable, accounts receivable

under installment plan, plus properties, plants, and equipments. The increase in properties, plants, and equipment mostly arised from investment in factories and fixed assets of City Steel Products, the subsidiary.

Quality of Assets

Trade Accounts Receivables - Net

The Group employs very cautious credit policies and considers a lot of criteria in order to grant a line of credit to customers. The criteria include past business transactions with the customers, the customers' financial positions, project quantities and amounts, repetition of orders, and current economic situation. For new customers the Group may request deposits of 20% to 30% of the project amounts. Normally, the Group grants credit term of 30 days for general customers and credit term of 30 - 90 days for major customers who have long-term relationship with the Group.

As at 31 July 2010, the Group's outstanding trade accounts receivables were Baht 63.66 million, and as at 31 July 2011 were Baht 90.25 million, which increased by Baht 26.59 million or equal to 41.77%. This is in consistent with the increase of revenue from sales and services of the Group. Al mostall of the outstanding balances of trade accounts receivables were not yet due and less-than-3-month overdue, which conformed to the Group's credit policies. The trade accounts receivables aging schedules as at 31 July 2010 and 2011 were presented as follows.

(Unit: Thousand Baht)

Trade accounts receivable	31 July 2010	31 July 2011
Current receivables	48,116	58,561
Past due less than 3 months	15,541	31,447
Past due than 3 months to 6 months	-	244
Less : Allowance for doubtful accounts	-	-
Trade accounts receivables - net	63,657	90,252

Because of most of the Group's customers are medium to large companies or multinational corporations who have strong financial positions as well as the Group's

cautious credit policies by screening each customer's financial positions before granting credits and requesting deposits from some of new customers, all trade accounts

Management Discussion and Analysis

receivables could be collected. Therefore the Group did not set any provision for doubtful accounts both in 2009/2010 and 2010/2011. However, the Group had a portion of overdue trade accounts receivables. The trade accounts receivables that past due less than 3 months were resulted from the customers' billing and payment policies that set the payment dates after the actual due dates. For the trade accounts receivables that overdue more than 3 months but less than 6 months were caused by delivery terms and conditions and payment schedule imposed by the customers.

However, as at 31 July 2011, the Group incurred accounts receivable under installment plan at the amount of Baht 24.36 million in the form of bill of exchange of commercial bank in Thailand. At present, the bill of exchange has already been collected.

Inventory

As the Group adopts just-in-time strategy and does

not have policy to keep raw materials for speculative purpose, the Group's inventory balance is relatively low and raw materials will be kept for the average of 8 - 10 weeks. However, amounts and quantities of inventory kept by the Group also depend on orders from customers and overall market situation.

As at 31 July 2011, the Group's inventory balance was Baht 54.47 million, decreased from the balance as at 31 July 2010 of Baht 91.04 million by Baht 36.57 million or 40.17%. A decrease in total inventory of Baht 36.57 million was caused by a drop of Baht 51.40 million in finished products of Siam ISO Pro that had been sold to City Steel Products to be used as machinery in its business operation as well as a rise in raw materials and factory supplies of Baht 14.67 million that had been purchased to serve the orders from the customers.

The Group's inventory balances as at 31 July 2010 and 31 July 2011 were presented below.

(Unit: Thousand Baht)

Inventory	31 July 2010	31 July 2011
Finished products (to be delivered)	51,985	590
Work in process	887	1,040
Raw materials and supplies	38,165	52,836
Total	91,037	54,466
Less: Allowance from declining in value	-	-
Inventory - net	91,037	54,466

The Group does not set provision for allowance from declining in value of inventory since all of the products are custom made products which will be delivered to the customers once the products are finished. Also, raw materials and supplies are made of metal which rarely decline in economic value. Moreover, all of the finished products were industrial materials that the Group usually uses in its production processes so it is considered that there is no decline in value of inventory.

Unused Assets

The Group had unused assets with net book value as at 31 July 2011 of Baht 75.19 million, which primarily consisted of factories under construction of City Steel Products. The Group also had investment property amounted to Baht 18.10 million, which was a plot of land of Siam ISO Pro that had been purchased during the past year and at present this land had not yet been utilized

Liquidity

For the period 2010/2011 the Group's net cash flows from operating activities were Baht 139.24 million, increased by Baht 97.41 million from Baht 41.83 million in the period 2009/2010. A rise in cash flows from operating activities primarily dued to an increase in incomes before tax, decreases in inventories, increase in accounts payable, and cash received from sale under installment plan.

The Group's liquidity ratios equaled to 31.87 times, 21.67 times, and 10.76 times and quick ratios equaled to 27.55 times, 16.71 times, and 8.21 times in 2008/2009, 2009/2010, and 2010/2011, respectively. Although these financial ratios are in a downward trend since the Group has invested significant amounts of cash in properties, plants, and equipment that used in business operation of a subsidiary, the Group's liquidity is financially sound. The Group still has strong financial condition and does not have any problems regarding to liquidity.

Since the Group has high liquidity, the Group purchases most of raw materials and supplies in cash in order to get cash discounts. As employing this policy, the Group's average payment period was quite low, equaled to 13.15 days in 2009/2010 and 22.13 days in 2010/2011. For average age of inventory, the Group's average age of inventory equaled to 68.77 days in 2010/2011, which was slightly decrease from 76.61 days in 2009/2010 and consistent with Group's policies and production processes. In addition, the Group's average collection period was also in the same range for the last two period, which equaled to 55.81 days in 2009/2010 and 54.49 days in 2010/2011. The average collection period figures were considered as normal since the Group's credit terms for most customers were 30 - 60 days.

During the period 2009/2010, the Group had cash inflows from investing activities of Baht 21.77 million, where as in the year 2010/2011, the Group had cash outflows from investing activities of Baht 158.31 million. Cash outflows from investing activities mostly used in investing in fixed assets, and properties, plants, and equipment of the subsidiary, City Steel Products.

The Group's net cash flows used in financing activities for the year 2010/2011 were Baht 24 million, which were the amounts of annual dividend payment to shareholders.

Suitability of Capital Structures

Shareholders' equity

As at 31 July 2011, shareholders' equity of the Group was Baht 901.86 million increased by Baht 62.34 million or increased by 7.43% compared to Baht 839.52 million in 2010. An increase in shareholders' equity mainly dued to an increase in retained earnings. The Group's debt to equity ratios were minimal, equaled to 0.03 times in the year 2009/2010 and 0.04 times in the year 2010/2011 since the Group's sources of funds for business expansion largely came from an issuance of additional shares and earnings from operation. Furthermore, as the Group had a good amount of cash on hand available and made payment of accounts payable in cash in order to get cash discounts, the current liabilities of the group were relatively low.

Liabilities

As mentioned earlier, the major sources of funds for business expansion derived from internal sources. So all of the Group's liabilities were short-term liabilities consisted of trade accounts payable, accounts payable for purchase of assets, corporate income tax payable, and other current liabilities including accrued expenes to be paid for usual business operation. The Group did not have any long-term loan from external sources or short-term borrowings from financial institution.

Operating Results

Overviews

The Group's revenues primarily comes from the manufacturing and sales of metal products as well as rendering services related to metal products which can be classified into 3 categories. 1) Manufacturing and sales of Metal Structures, Storage Systems and Material Handling Equipments, and Other Metal Products. 2) Manufacturing and sales of Semi Products and Rendering of World Class Steel Services. 3) Sales of Industrial Materials used in factories.

The Group's total revenues in 2008/2009, 2009/2010,

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and 2010/2011 were Baht 593.36 million, Baht 468.84 million, and Baht 516.94 million which decreased by 20.99% in 2009/2010, and increased by 10.26% in 2010/2011. An increased in the Group's total revenues was caused by a resolution of political conflict that facilitates recovery of domestic economy and creates investment and expansion of private sectors. As a consequence, the Group received more orders from customers, which resulted in an increase in the Group's sales and services revenues.

The Group's expenses consisted of the followings:

1) Cost of sales and services were Baht 462.90 million, Baht 359.21 million, and Baht 380.82 million in 2008/2009, 2009/2010, and 2010/2011 attributable to 78.01%, 76.62%, and 73.67% of total revenues.

2) Selling expenses were Baht 9.53 million in 2008/2009, Baht 7.03 million in 2009/2010, and Baht 11.16 million in 2010/2011, equaled to 1.61%, 1.50%, and 2.16% of total revenues respectively.

3) Administrative expenses were Baht 30.08 million, Baht 27.73 million, and Baht 33.85 million which equaled to 5.07%, 5.91%, and 6.55% of total revenues in 2008/2009, 2009/2010, and 2010/2011.

4) Director and management remuneration were Baht 7.94 million, Baht 8.19 million, and Baht 8.26 million in 2008/2009, 2009/2010, and 2010/2011 which equaled to 1.34%, 1.75% and 1.57% of total revenues.

Net incomes for the accounting period 2008/2009, 2009/2010 and 2010/2011 were Baht 80.43 million, Baht 64.51 million, and Baht 80.39 million accounted for 13.55%, 13.76%, and 15.55% of total revenues.

Revenues

The Group's total revenues for the last three years classified by products categories were as follows.

1. Revenues from manufacturing and sales of Metal Structures, Storage Systems and Material Handling Equipments, and Other Metal Products made up the highest portion of total revenues compared to revenues from other categories, which equaled to 53.76%, 48.70%, and 55.79% of total revenues in 2008/2009, 2009/2010, and 2010/2011.

2. Revenues from manufacturing and sales of Semi products and rendering of World Class Steel Services accounted for 35.10%, 44.26%, and 42.57% of total revenues in 2008/2009, 2009/2010 and 2010/2011.

3. Revenues from sales of Industrial Materials equaled to 10.19% and 6.12% of total revenues in 2008/2009 and 2009/2010. But in 2010/2011 revenues from sales of Industrial Materials were less than 0.01%.

Almost all revenues from these 3 activities derived from domestic sales. The export revenues were originated from sales of Metal Structures, Storage Systems and Material Handling Equipment, and Other Metal Products. Export revenues were relatively low compared to revenues from products sold domestically. Export revenues were Baht 9.47 million, Baht 15.94 million, and Baht 12.81 million or equaled to 1.60%, 3.40%, and 2.48% of total revenues in 2008/2009, 2009/2010, and 2010/2011, respectively.

In 2009/2010, domestic economy was in recession, expansion of industrial sector and demand for capital goods such as Metal Structures and Storage Systems and Material Handling Equipment had diminished therefore proportion of the Group's revenues from this category had lessened. During 2010/2011, as the economy has recovered and industrial sector has started to expand, the Group has manufactured and sold more of its Metal Structures and Storage Systems and Material Handling Equipments, which brought up the proportion of revenues from this category to be at the same level as in the year 2008/2009. Furthermore, a shrink in business expansion in 2009/2010 had weakened the demand for Industrial Materials, which caused a significant drop in revenues from Industrial Materials in 2009/2010 and 2010/2011.

Cost of Sales and Services and Gross Profit

The Group's cost of sales and services comprised of cost of raw materials and supplies, cost of merchandised products, labor cost, and overheads which included depreciation of plants, machines, tools, and equipments used in production. For the year 2010/2011, cost of sales and services increased by 6.02% from Baht 359.21 million in 2009/2010 to Baht 380.82 million. A rise in

cost of sales and services was correlated with an increase in operating revenues. The proportion of cost of sales and services to revenues from operation for the year 2010/2011 was 73.67% which drop from the proportion of 76.62% in the year 2009/2010 as the Group has invested in new machinery of subsidiary, which help improve its production processes and cost management to be more efficient.

As a result of economic recovery together with a replacement of machinery in subsidiary that help enhance the production processes to be more efficient, the Group's gross profits has improved. In the year 2010/2011, the Group's gross profits were Baht 127.63 million increase from the year 2009/2010 that had the gross profits of Baht 105.33 million by Baht 22.30 million or equal to a rise of 21.17%. Moreover, the Group's gross profit margin improved from 22.67% in 2009/2010 to 25.10% in 2010/2011.

Selling and Administrative Expenses and Finance cost

For the period 2010/2011 the Group's selling expenses were Baht 11.16 million, increased by 58.75% or Baht 4.13 million from Baht 7.03 million in 2009/2010 and the Group's selling expenses per total revenues also increased from 1.5% in the year 2009/2010 to 2.16% in the year 2010/2011. In the year 2010/2011, the administrative expenses were Baht 33.85 million, increased by 22.07% or Baht 6.12 million from Baht 27.73 million in 2009/2010 and proportion of administrative expenses to total revenues also increased from 5.91% in 2009/2010 to 6.55% in 2010/2011. Nevertheless, director and management remuneration for the year 2010/2011 were Baht 8.14 million, which similar to those for the year 2009/2010 of Baht 8.19 million.

The increases in selling and administrative expenses were resulted from an opening of the new subsidiary that started its operation on 2 August 2010. The opening of the new subsidiary cause the Group to incur higher fixed costs which include depreciation on buildings, depreciation on vehicles used in business, and the costs of personnel, etc. Though the start of the operation of the

new subsidiary cost the Group higher selling and administrative expenses, it help improve an efficiency of production processes and reduce production costs that is the most important expenditure of the Group. As the cost of goods produced decreased, the Group's total costs reduced respectively, and resulted in a rise of net profits.

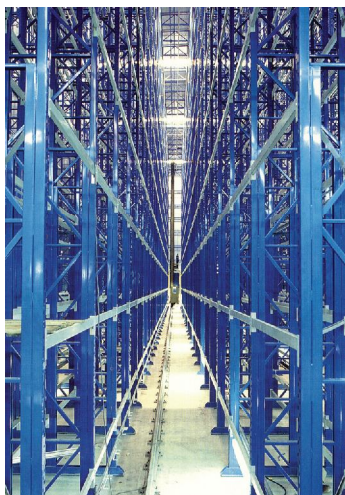
For finance cost, during past years, since the Group utilized funds from shareholder's equity and retained earnings from operation to finance daily business activities and invest in expansion of production capacities, the Group did not have short-term loans or long-term loans from financial institutions and other sources of funds. So the Group did not incur any finance cost.

Net Profit

For the period 2008/2009, 2009/2010, and 2010/2011 the Group's net profits were Baht 80.43 million, Baht 64.51 million, and Baht 80.39 million, with net profit margins of 13.55%, 13.76%, and 15.55% respectively. The Group's net profits decreased by 19.79% in 2009/2010, and increased by 24.61% in 2010/2011. The decrease in net profit in 2009/2010 caused the political problems that had not been resolved and economic condition that had not been recovered, needs of industrial sector to expand their businesses or increase production capacities were continuously declining. As a results, demands for the Group's products had lessened and ultimately resulted in decreases in operating revenues and net profits. But in 2010/2011, political conflict has been settled, domestic economic condition has started to recover, industrial sector has expanded its businesses and increased its investment. All of these factors has contributed to increases in operating revenues and net profits of the Group.

Auditor Remuneration

During the year 2010/2011, the Company and its subsidiaries paid auditing fees to Dharmniti Auditing Company Limited at the amount of Baht 1,115,000.



REPORT OF THE AUDITOR

To The Shareholders and Board of Directors of
City Steel Public Company Limited

I have audited the consolidated balance sheets of City Steel Public Company Limited and its subsidiaries as at July 31, 2011, and 2010, the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended and the balance sheets of City Steel Public Company Limited as at July 31, 2011 and 2011, the related statement of income, changes in shareholders' equity and cash flows for the years then ended. These financial statement are the responsibility of the Company's management as to their correctness and completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of City Steel Public Company Limited and its subsidiaries as at July 31, 2011 and 2010, the consolidated results of their operations, the consolidated changes in their shareholders' equity and their consolidated cash flows for the years then ended and the financial position of City Steel Public Company Limited as at July 31, 2011 and 2010, the results of its operations, the changes in its shareholders' equity and its cash flows for the years then ended in conformity with generally accepted accounting principles.

(Mr. Pojana Asavasontichai)

Certified Public Accountant (Thailand) No.4891

Dharmniti Auditing Company Limited
Bangkok, Thailand
September 26, 2011
2011/1011/8415

BALANCE SHEETS

CITY STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

BALANCE SHEETS

ASSETS

(Unit : Baht)

	Note	Consolidated financial statements		Separate financial statements	
		As at July 31, 2011	As at July 31, 2010	As at July 31, 2011	As at July 31, 2010
CURRENT ASSETS					
Cash and cash equivalents	7	212,589,549	255,660,472	23,950,236	47,064,368
Investments in available-for-sale securities	8	-	43,919,552	-	16,916,992
Trade accounts receivable	9				
Related parties	6	-	-	5,906,400	13,653
Other parties		90,251,892	63,657,936	1,847,394	40,982,096
Current portion of trade accounts receivable					
under installment plan	10	24,364,979	10,890,086	-	-
Inventories	11	54,466,362	91,037,080	2,454,508	22,700,923
Other current assets					
Advance paid for goods		29,000	497,584	-	10,991
Input tax refundable		13,421,291	4,197,841	-	-
Others		1,695,765	1,080,951	161,504	155,513
TOTAL CURRENT ASSETS		396,818,838	470,941,502	34,320,042	127,844,536
NON - CURRENT ASSETS					
Trade accounts receivables under installment plan					
- net of current portion	10	-	23,294,820	-	-
Restricted deposits at financial institutions	12	2,342,890	2,328,697	1,754,780	1,741,809
Investments in subsidiaries accounted for under					
cost method	13	-	-	623,869,860	407,519,860
Deposits paid for purchases of assets		-	1,794,393	-	-
Property, plant and equipment, net	14	520,332,223	343,162,417	10,088,648	55,779,611
Intangible assets, net	15	938,784	1,364,858	498,565	754,237
Investment property	16	18,100,000	18,100,000	-	-
Other non-current asset		200,500	265,010	-	64,510
TOTAL NON - CURRENT ASSETS		541,914,397	390,310,195	636,211,853	465,860,027
TOTAL ASSETS		938,733,235	861,251,697	670,531,895	593,704,563

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

BALANCE SHEETS

CITY STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

BALANCE SHEETS (CONT.)

LIABILITIES AND SHAREHOLDERS' EQUITY

(Unit : Baht)

Note	Consolidated financial statements		Separate financial statements	
	As at July 31, 2011	As at July 31, 2010	As at July 31, 2011	As at July 31, 2010
CURRENT LIABILITIES				
Trade accounts payable				
Related parties	6	126,528	75,809	454,210
Other parties		29,825,567	16,787,844	390,305
Accounts payable due to purchases of assets		1,899,012	-	-
Other current liabilities				
Advance received for goods		795,693	180,627	9,346
Corporate income tax payable		833,341	921,924	228,111
Others		3,388,951	3,766,767	1,278,145
TOTAL CURRENT LIABILITIES		36,869,092	21,732,971	2,360,117
TOTAL LIABILITIES		36,869,092	21,732,971	2,360,117
SHAREHOLDERS' EQUITY				
Share capital				
Registered				
300,000,000 ordinary shares of Baht 1 each		300,000,000	300,000,000	300,000,000
Issued and paid-up				
300,000,000 ordinary shares of Baht 1 each		300,000,000	300,000,000	300,000,000
Share premium		166,145,195	166,145,195	166,145,195
Difference on reorganization of entities				
under common control	3.2	(15,380,000)	(15,380,000)	-
Unrealized gain (loss) on change in value of				
investments in available-for-sale securities	8	-	(5,952,618)	-
Retained earnings				
Appropriated - statutory reserve		30,000,000	28,884,000	30,000,000
Unappropriated		421,098,948	365,822,149	172,026,583
Equity attributable to the equity of parent		901,864,143	839,518,726	668,171,778
Equity Minority interest		-	-	-
TOTAL SHAREHOLDERS' EQUITY		901,864,143	839,518,726	668,171,778
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		938,733,235	861,251,697	670,531,895

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

STATEMENTS OF INCOME

CITY STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF INCOME

FOR THE YEARS ENDED JULY 31, 2011 AND 2010

(Unit : Baht)

Note	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
REVENUES				
Sales	486,355,838	447,856,125	133,469,807	254,689,355
Service income	22,094,435	16,681,293	17,460,639	16,681,293
Dividend income	500,000	637,500	112,609,962	28,019,994
Other income	7,991,279	3,665,923	6,573,283	637,334
Total revenues	516,941,552	468,840,841	270,113,691	300,027,976
EXPENSES				
Cost of sales and services	380,821,174	359,206,931	130,290,953	237,058,160
Selling expenses	11,162,286	7,029,631	4,474,251	4,719,018
Administrative expenses	33,847,980	27,734,120	10,926,132	13,499,586
Management benefit expenses	8,142,198	8,189,581	8,142,198	8,189,581
Total expenses	433,973,638	402,160,263	153,833,534	263,466,345
Profit before finance cost and corporate income tax	82,967,914	66,680,578	116,280,157	36,561,631
Finance cost	-	-	-	-
Profit before corporate income tax	82,967,914	66,680,578	116,280,157	36,561,631
Corporate income tax	21 (2,575,115)	(2,166,248)	(947,408)	(2,166,248)
Net porfit	80,392,799	64,514,330	115,332,749	34,395,383
Profit attributable to				
Equity holder of parent	80,392,799	64,514,330	115,332,749	34,395,383
Minority interest	-	-	-	-
	80,392,799	64,514,330	115,332,749	34,395,383
Earnings per share				
Net profit	0.27	0.22	0.38	0.11
Weighted average number of ordinary share (Share)	300,000,000	300,000,000	300,000,000	300,000,000

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

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

CITY STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED JULY 31, 2011 AND 2010

(Unit: Baht)

Consolidated financial statements										
Equity attributable to the equity holders of parent										
Note	Issued and paid-up share capital	Share premium	Difference on reorganization of entities under common control	Unrealized gain on change in value of investments in available-for-sale securities	Retained earnings		Total	Minority interest	Total	
					Appropriated	Unappropriated				
					Statutory Reserve					
Beginning balance, as at August 1, 2009	300,000,000	166,145,195	(15,380,000)	(7,777,395)	27,164,000	336,027,819	806,179,619	-	806,179,619	
Available - for - sale securities										
Profit (loss) recognized directly in equity	-	-	-	1,884,990	-	-	1,884,990	-	1,884,990	
Transfer to gain on sale	-	-	-	(60,213)	-	-	(60,213)	-	(60,213)	
Net income (expense) recognized directly in equity	-	-	-	1,824,777	-	-	1,824,777	-	1,824,777	
Net profit for the year	-	-	-	-	-	64,514,330	64,514,330	-	64,514,330	
Total recognized income (expenses)	-	-	-	1,824,777	-	64,514,330	66,339,107	-	66,339,107	
Statutory reserve	-	-	-	-	1,720,000	(1,720,000)	-	-	-	
Dividend paid18	-	-	-	-	-	(33,000,000)	(33,000,000)	-	(33,000,000)	
Ending balance, as at July 31, 2010	300,000,000	166,145,195	(15,380,000)	(5,952,618)	28,884,000	365,822,149	839,518,726	-	839,518,726	
Available - for - sale securities										
Transfer to agin on sale	-	-	-	5,952,618	-	-	5,952,618	-	5,952,618	
Net income (expense) recognized directly in equity	-	-	-	5,952,618	-	-	5,952,618	-	5,952,618	
Net profit for the year	-	-	-	-	-	80,392,799	80,392,799	-	80,392,799	
Total recognized income (expenses)	-	-	-	5,952,618	-	80,392,799	86,345,417	-	86,345,417	
Statutory reserve	-	-	-	-	1,116,000	(1,116,000)	-	-	-	
Dividend paid18	-	-	-	-	-	(24,000,000)	(24,000,000)	-	(24,000,000)	
Ending balance, as at July 31, 2011	300,000,000	166,145,195	(15,380,000)	-	30,000,000	421,098,948	901,864,143	-	901,864,143	

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

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

CITY STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONT.) FOR THE YEARS ENDED JULY 31, 2011 AND 2010

(Unit : Baht)

Separate financial statements								
		Issued and paid-up share capital	Share premium	Difference on reorganization of entities under common control	Unrealized gain on change in value of investments in available-for- sale securities	Retained earnings		
	Note					Appropriated Statutory Reserve	Unappropriated	Total
Beginning balance, as at August 1, 2009		300,000,000	166,145,195	-	5,087	27,164,000	82,134,451	575,448,733
Available - for - sale securities								
Profit (loss) recognized directly in equity		-	-	-	116,145	-	-	116,145
Transfer to gain on sale		-	-	-	(8,902)	-	-	(8,902)
Net income (expense) recognized directly in equity		-	-	-	107,243	-	-	107,243
Net profit for the year		-	-	-	-	-	34,395,383	34,395,383
Total recognized income (expenses)		-	-	-	107,243	-	34,395,383	34,502,626
Statutory reserve		-	-	-	-	1,720,000	(1,720,000)	-
Dividend paid	18	-	-	-	-	-	(33,000,000)	(33,000,000)
Ending balance, as at July 31, 2010		300,000,000	166,145,195	-	112,330	28,884,000	81,809,834	576,951,359
Available - for - sale securities								
Transfer to gain on sale		-	-	-	(112,330)	-	-	(112,330)
Net income (expense) recognized directly in equity		-	-	-	(112,330)	-	-	(112,330)
Net profit for the year		-	-	-	-	-	115,332,749	115,332,749
Total recognized income (expenses)		-	-	-	(112,330)	-	115,332,749	115,220,419
Statutory reserve		-	-	-	-	1,116,000	(1,116,000)	-
Dividend paid	18	-	-	-	-	-	(24,000,000)	(24,000,000)
Ending balance, as at July 31, 2011		300,000,000	166,145,195	-	-	30,000,000	172,026,583	668,171,778

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

STATEMENTS OF CASH FLOWS

CITY STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JULY 31, 2011 AND 2010

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Cash flows from operating activities				
Profit before corporate income tax	82,967,914	66,680,578	116,280,157	36,561,631
Adjustments to reconcile to net cash provided by (used in) operating activities :-				
Depreciation and amortization	41,189,172	23,886,737	6,031,758	8,918,728
Gain on sales of investments in available - for - sale securities	(3,077,548)	(125,890)	(113,956)	(16,012)
Loss (gain) on sales of fixed assets	641,033	(232,133)	490,354	-
Loss on write - off fixed assets	-	126	-	126
Dividend income from investments in subsidiaries	-	-	(112,609,962)	(28,019,994)
Income from interest discounted from sale under installment plan	(1,361,856)	-	-	-
Income from investment	(3,757,691)	(2,664,477)	(712,691)	(390,258)
Profit from operating activities before changes in operating assets and liabilities	116,601,024	87,544,941	9,345,660	17,054,221
(Increase) decrease in operating assets				
Trade accounts receivable	(26,593,955)	(25,965,343)	33,241,955	(362,972)
Cash received from sale under installment plan	11,181,783	8,500,000	-	-
Inventories	36,570,717	(29,201,387)	20,246,415	(4,531,184)
Other current assets	(9,368,743)	(3,366,944)	5,000	(58,355)
Other non - current assets	64,510	(265,010)	64,510	(64,510)
Increase (decrease) in operating liabilities				
Trade accounts payable	13,088,441	7,478,770	(13,584,640)	8,711,832
Other current liabilities	361,483	(238,731)	(114,636)	203,089
Cash received from (used in) operating activities before corporate income taxes	141,905,260	44,486,296	49,204,264	20,952,121
Corporate income taxes paid	(2,664,633)	(2,649,477)	(1,641,220)	(2,538,825)
Net cash flows provided by (used in) operating activities	139,240,627	41,836,819	47,563,044	18,413,296

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

STATEMENTS OF CASH FLOWS

CITY STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CASH FLOWS (CONT.)

FOR THE YEARS ENDED JULY 31, 2011 AND 2010

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Cash flows from investing activities				
Increase in deposits restricted at financial institutions	(14,193)	(13,867)	(12,971)	(9,351)
Cash paid for additional investments in subsidiaries	-	-	(216,350,000)	(30,699,980)
Proceeds from sales of fixed asset	1,726,635	240,000	39,744,626	-
Proceeds from sales of investments in available - for - sale securities	60,449,719	47,137,337	24,438,619	4,984,445
Proceeds from short - term investment	-	49,000,000	-	9,000,000
Cash paid for investment in available - for - sale securities	(7,500,000)	(77,500,000)	(7,500,000)	(20,000,000)
Interest received	3,257,691	2,026,977	712,691	390,258
Dividend received	500,000	637,500	112,609,962	28,019,994
Cash paid for purchases of fixed assets	(216,663,902)	(42,642,224)	(320,103)	(761,441)
Decrease (increase) in intangible assets	(67,500)	(660,000)	-	-
Net cash flows provided by (used in) investing activities	(158,311,550)	(21,774,277)	(46,677,176)	(9,076,075)
Cash flows from financing activities				
Dividend paid	(24,000,000)	(33,000,000)	(24,000,000)	(33,000,000)
Net cash flows provided by (used in) financing activities	(24,000,000)	(33,000,000)	(24,000,000)	(33,000,000)
Net increase (decrease) in cash and cash equivalents	(43,070,923)	(12,937,458)	(23,114,132)	(23,662,779)
Cash and cash equivalents at beginning of the years	255,660,472	268,597,930	47,064,368	70,727,147
Cash and cash equivalents at end of the years	212,589,549	255,660,472	23,950,236	47,064,368
Supplemental cash flows information :-				
Cash and cash equivalents consisted of :-				
Cash on hand	680,394	540,623	115,079	130,448
Cash at bank - Saving account	94,796,596	223,999,825	11,765,957	46,847,177
- Current account	102,436	1,109,974	59,077	76,693
- Fixed deposit 3 months	10,123	10,050	10,123	10,050
Short - term investment - bill of exchange (less than 3 month)	117,000,000	30,000,000	12,000,000	-
	212,589,549	255,660,472	23,950,236	47,064,368

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

NOTES TO FINANCIAL STATEMENTS

CITY STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JULY 31, 2011 AND 2010

1. GENERAL INFORMATION

(a) Legal status and address

City Steel Public Company Limited is a public company incorporated and domiciled in Thailand and its registered address is as follows :

88/3 Moo 4, Bypass Road, Tumbol Nongmadaeng, Amphur Muang, Chonburi.

(b) Nature of the Company' s business

The Company is principally engaged in the manufacture and sale of metal structures, storage system and material handling equipment, and fabricated metal parts, as well as the provision of one - stop metal processing services and the sale of metals.

(c) Major shareholder Name

Its major shareholder is WKP Asset Plus Company Limited.

2. BASIS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

2.1 The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act B.E. 2547. The presentation of the financial statements has been made in compliance with the stipulations of the Notification of the Department of Business Development issued under the Accounting Act B.E. 2543.

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

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

3. BASIS FOR CONSOLIDATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements include the financial statements of the Company and the following subsidiaries which are incorporated in Thailand as follows :

Company' s name	Natures of business	Percentage of shareholding		Assets as a percentage to the consolidated total assets as at		Revenues as a percentage to the consolidated total revenues for the year ended	
		Jul.31, 2011	Jul.31, 2010	Jul.31, 2011	Jul.31, 2010	Jul.31, 2011	Jul.31, 2010
Siam ISO Pro Co., Ltd	Sale of metal products and industrial materials and equipments	99.99	99.99	16.90	20.67	3.29	8.81
Mark Worldwide Co., Ltd	Manufacture and sale of metal products	99.99	99.99	42.81	54.13	30.90	34.74
City Steel Products Co., Ltd	Manufacture and sale of metal products	99.99	99.99	35.95	3.58	43.16	0.03

NOTES TO FINANCIAL STATEMENTS

3.1 Material balances and transactions between the Company and its subsidiaries have been eliminated from the consolidated financial statements.

3.2 The excess of the acquisition cost of the investment in subsidiary under common control over the fair value of the subsidiary's net assets as at the acquisition date is shown as a separate item in shareholders' equity under the caption "Difference on reorganization of entities under common control" in the consolidated balance sheet and the Company's balance sheet.

4. ADOPTION OF NEW ACCOUNTING STANDARDS

The followings are accounting standards and financial reporting standard that are effective during the year.

During the year 2010 and 2011, the Federation of Accounting Professions (FAP) has issued Notifications to mandate the use of the revised 2009 and newly issued accounting and financial reporting standards, as well as the interpretations of accounting and financial reporting standards as follows.

Accounting Framework for the Preparation and Presentation of Financial Statements (revised 2009)

TAS 1 (revised 2009) Presentation of Financial Statements

TAS 2 (revised 2009) Inventories

TAS 7 (revised 2009) Statement of Cash Flows

TAS 8 (revised 2009) Accounting Policies, Changes in Accounting Estimates and Errors

TAS 10 (revised 2009) Events after the Reporting Period

TAS 11 (revised 2009) Construction Contracts

TAS 12 Income Taxes

TAS 16 (revised 2009) Property, Plant and Equipment

TAS 17 (revised 2009) Leases

TAS 18 (revised 2009) Revenue

TAS 19 Employee Benefits

TAS 20 (revised 2009) Accounting for Government Grants and Disclosure of Government Assistance

TAS 21 (revised 2009) The Effects of Changes in Foreign Exchange Rates

TAS 23 (revised 2009) Borrowing Costs

TAS 24 (revised 2009) Related Party Disclosures

TAS 26 Accounting and Reporting by Retirement Benefit Plans

TAS 27 (revised 2009) Consolidated and Separate Financial Statements

TAS 28 (revised 2009) Investments in Associates

TAS 29 Financial Reporting in Hyperinflationary Economies

TAS 31 (revised 2009) Interests in Joint Ventures

TAS 33 (revised 2009) Earnings per Share

TAS 34 (revised 2009) Interim Financial Reporting



NOTES TO FINANCIAL STATEMENTS

TAS 36 (revised 2009) Impairment of Assets

TAS 37 (revised 2009) Provisions, Contingent Liabilities and Contingent Assets

TAS 38 (revised 2009) Intangible Assets

TAS 40 (revised 2009) Investment Property

TFRS 2 Share - based Payment

TFRS 3 (revised 2009) Business Combinations

TFRS 5 (revised 2009) Non - current Assets Held for sale and Discontinued Operations

TFRS 6 Exploration for and Evaluation of Mineral Resources

TFRIC 15 Agreements for the Construction of Real Estate

TSIC 31 Revenue - Barter Transactions Involving Advertising Services

These accounting standards and financial reporting standards are effective for the fiscal year beginning on or after January 1, 2011, except for TAS 12, TAS 20 and TAS 21, which will be effective for the fiscal year beginning on or after January 1, 2013.

The management of the Company has assessed the effect of these accounting standards and financial reporting standards and believes that they will not have any significant impacts on the financial statements for the year in which they are initially applied. Except for TAS 12 Income Taxes, TAS 16 (revised 2009) Property, Plant and Equipment, TAS 19 Employee Benefits and TAS 40 (revised 2009) Investment Property, which the management of the Company is in the process of reviewing their effects on the financial statements for the year in which they are initially applied.

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 Recognition of revenues and expenditures

Sales of goods

Sales of goods are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales are the invoiced value, excluding value added tax, of goods supplied after deducting discounts and allowances.

Service revenue

Service revenue is recognized when services have been rendered.

Dividends

Dividends are recognized when the right to receive the dividends is established.

Other incomes

Other incomes are recognized on an accrual basis.

Expenditures are recognized on an accrual basis.



NOTES TO FINANCIAL STATEMENTS

5.2 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash at bank, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

5.3 Trade accounts receivable

Trade accounts receivable are stated at the net realizable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experiences and analysis of debtor aging.

5.4 Inventories

Finished goods and work in process are valued at the lower of cost (First in - First out) and net realizable value. Cost includes all production costs and factory overheads.

Raw materials and factory supplies are valued at the lower of cost (First in - First out) and net realizable value and are charged to production costs whenever consumed.

5.5 Investment

- (a) Short - term investment with maturity of less than 3 months and over 3 months

Short - term investment with maturity of less than 3 months and not subjected to withdrawal restriction which presented under cash equivalent are stated at cost and recognized accrued interest on the straight - line basis.

Short - term investment with maturity of over 3 months and not subjected to withdrawal restrictions which presented under short - term investment are stated at cost and recognized accrued interest on the straight - line basis.

- (b) Investments in available - for - sale securities are stated at fair value. Changes in the carrying amounts of securities are recorded as separate items in shareholders' equity until the securities are sold, when the changes are then included in determining income.
- (c) Investments in subsidiaries are accounted for under the cost method.

The fair value of unit trusts is determined from their net asset value and the fair value of equity is determined from the latest offer price of the Stock Exchange of Thailand as at the end of the period.

The weighted average method is used for computation of the cost of investments.



NOTES TO FINANCIAL STATEMENTS

In the event the Company and its subsidiaries reclassify investments in securities, such investments are adjusted to their fair value as at the reclassification date. Differences between the carrying amount of the investments and their fair value on that date are included in determining income or recorded as surplus (deficit) from change in the value of investments in shareholders' equity, depending on the type of investment which is reclassified.

5.6 Property, plant and equipment and Depreciation

Land is stated at cost. Buildings and equipments are stated at cost less accumulated depreciation and allowance for loss on impairment of assets (if any).

Depreciation of buildings and equipments is calculated by reference to their costs, on the straight - line basis over the following estimated useful lives :

Buildings	20	years
Machinery and equipments	5 - 10	years
Furniture, fixtures and office equipments	3 - 5	years
Motor vehicles	5	years

Depreciation is included in determining income.

No depreciation is provided on land and assets under installation.

5.7 Intangible assets and Amortization

Intangible assets are computer software pending for amortization. Amortization is calculated by the straight - line method over the estimated useful lives of 3 - 5 years.

5.8 Investment property

Investment property is initially recognized at cost. After initial recognition, the investment property will be measured at cost less accumulated impairment losses (if any).

5.9 Related party transactions

Related parties comprise enterprises and individuals that control, or are controlled by, the Company and its subsidiaries, whether directly or indirectly, or which are under common control with the Company and its subsidiaries.

They also include associated companies and individuals which directly or indirectly own a voting interest in the Company and its subsidiaries that gives them significant influence over the Company and its subsidiaries, as well as key management personnel and directors or officers with authority in the planning and directing of the Company and its subsidiaries operations.



NOTES TO FINANCIAL STATEMENTS

5.10 Foreign currencies

Foreign currency transactions are translated into Baht at the exchange rates ruling on the transaction dates. Outstanding assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Baht at the exchange rates ruling on the balance sheet date.

Gains and losses on exchange are included in determining income.

5.11 Impairment of assets

The Company and its subsidiaries assets at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Company and its subsidiaries make an estimate of the asset's recoverable amount. If the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in the income statement. (An asset's recoverable amount is the higher of net selling price and value in use).

5.12 Employee benefits

Salary, wages, bonuses and contributions to the social security fund and provident fund are recognized as expenses when incurred.

5.13 Corporate income tax

Corporate income tax derives from the taxable incomes which are determined according to the tax legislation.

5.14 Use of accounting estimates

According to generally accepted accounting principles in Thailand, preparation of financial statements requires management to make estimates and assumptions, which will affect the reported amounts of revenues, expenses, assets and liabilities, and disclosure of contingent assets and liabilities. Actual results may differ from those estimates. Significant estimates and assumptions are as follows :

Allowances for doubtful accounts

Management provides adequate allowance for doubtful accounts for the estimated losses that may be incurred in the collection of receivables. The allowance is generally based on collection experiences and analysis of each debtor aging that is expected to have collection problem.



NOTES TO FINANCIAL STATEMENTS

Allowances for inventory deterioration and negative net realizable value of inventory

Management determines an allowance for inventory deterioration for goods or materials that are obsolete, inactive, and decline in quality. The Company and its subsidiaries also determines an allowance for goods or materials that have selling price less than their actual cost by considering the future trend of their selling prices in the market.

Property, plant and equipment, and intangible assets

Management determines the estimated useful lives and residual values of the Company's property, plant and equipment, and intangible assets and will review the depreciation charge when useful lives and residual values are different from those previously estimated, or when obsolete assets are written off or disposed.

5.15 Earnings per share

Basic earnings per share are calculated by dividing net income for the year by the weighted average number of ordinary shares outstanding during the year.

6. RELATED PARTY TRANSACTIONS

During the years, the Company and its subsidiaries had significant business transactions with related parties, which have been concluded on commercial terms and bases agreed upon in the ordinary course of businesses between the Company and those companies. Below is a summary of those transactions.

(Unit : Million Baht)

	For the years ended July 31				Pricing Policies
	Consolidated financial statements		Separate financial statements		
	2011	2010	2011	2010	
<u>Transactions with related companies</u>					
Electricity expenses	1.1	1.0	1.0	1.0	Cost and cost plus margin
Rental expenses	0.6	2.1	0.1	2.1	Based on contract
Purchases of construction materials	10.5	-	-	-	Cost plus margin
<u>Transactions with subsidiaries</u>					
(eliminated from consolidated financial statements)					
Sales of finished goods and raw materials	-	-	30.7	7.4	Cost plus margin and cost
Purchases of finished goods and raw materials	-	-	10.1	37.4	Cost plus margin and cost
Service income	-	-	9.3	-	Cost plus margin
Sales of fixed assets	-	-	38.0	-	Book value
Service expenses	-	-	0.1	0.3	Cost
Electricity expenses	-	-	1.5	1.6	Cost
Rental income	-	-	0.0	0.1	Based on contract
Gasoline expenses	-	-	0.3	0.7	Cost
Car rental expenses	-	-	0.3	0.3	Based on contract

NOTES TO FINANCIAL STATEMENTS

The balances of the accounts as at July 31, 2011 and 2010 between the Company and those related companies are as follows :

(Unit : Baht)

		Consolidated financial statements		Separate financial statements	
		As at July 31, 2011	As at July 31, 2010	As at July 31, 2011	As at July 31, 2010
Relationship					
<u>Trade accounts receivable - related parties</u>					
Siam ISO Pro CO., Ltd.	Subsidiary	-	-	2,054,400	13,653
Mark Worldwide Co., Ltd.	Subsidiary	-	-	2,568,000	-
City Steel Products Co., Ltd.	Subsidiary	-	-	1,284,000	-
Total trade accounts receivable - related parties				5,906,400	13,653
<u>Trade accounts payable - related parties</u>					
Siam ISO Pro CO., Ltd.	Subsidiary	-	-	27,820	364,464
Mark Worldwide Co., Ltd.	Subsidiary	-	-	12,519	4,919,851
City Steel Products Co., Ltd.	Subsidiary	-	-	413,871	-
Siam C.T.P. Industry Co., Ltd.	Common shareholders	126,528	75,809	-	75,809
Total trade accounts payable - related parties		126,528	75,809	454,210	5,360,124

7. CASH AND CASH EQUIVALENTS.

Cash and cash equivalents consisted of :

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	As at July 31, 2011	As at July 31, 2010	As at July 31, 2011	As at July 31, 2010
Cash on hand and petty cash	680,394	540,623	115,079	130,448
Cash at banks - Savings account	94,796,596	223,999,825	11,765,957	46,847,177
- Current account	102,436	1,109,974	59,077	76,693
Fixed deposits 3 months	10,123	10,050	10,123	10,050
Short - term investment - bill of exchange (less than 3 month)	117,000,000	30,000,000	12,000,000	-
	212,589,549	255,660,472	23,950,236	47,064,368

Savings account and fixed deposits bear interests at the floating rate set by bank.

8. INVESTMENTS IN AVAILABLE - FOR - SALE SECURITIES

This account consisted of :

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	As at July 31, 2011	As at July 31, 2010	As at July 31, 2011	As at July 31, 2010
Investments in available - for - sale securities - at cost				
- Open fund	-	32,712,920	-	16,804,662
- Common Stock	-	17,159,250	-	-
Total	-	49,872,170	-	16,804,662
Add : Unrealized gain (loss) on change in value of investments	-	(5,952,618)	-	112,330
Investments in available - for - sale securities - fair value	-	43,919,552	-	16,916,992

NOTES TO FINANCIAL STATEMENTS

9. TRADE ACCOUNTS RECEIVABLE

The outstanding balances of trade accounts receivable as at July, 2011 and 2010, as classified by due dates, are as follows :

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	As at July 31, 2011	As at July 31, 2010	As at July 31, 2011	As at July 31, 2010
Age of receivables				
Undue	58,561,042	48,116,153	6,498,572	30,298,327
Less than 3 months overdue	31,446,770	15,541,783	1,255,222	10,697,422
Over 3 months to 6 months	244,080	-	-	-
Net	90,251,892	63,657,936	7,753,794	40,995,749

As at July 31, 2011, there was 1 outstanding trade account receivable that overdue for more than 90 days, which the Company is certain to collect all of this account receivable, therefore the company does not settle allowances for doubtful accounts for this receivable.

10. TRADE ACCOUNTS RECEIVABLE UNDER INSTALLMENT PLAN

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	As at July 31, 2011	As at July 31, 2010	As at July 31, 2011	As at July 31, 2010
Accounts Receivable	24,456,348	35,638,131	-	-
<u>Less</u> Allowance value	(91,369)	(1,453,225)	-	-
	24,364,979	34,184,906	-	-
<u>Less</u> Current portion of trade account receivable under installment plan	(24,364,979)	(10,890,086)	-	-
	-	23,294,820	-	-

As at July 31, 2011 and 2010, the subsidiary recognized the trade accounts receivable under installment plan for sales of machine at fair value which derived from a present value of future cash flows discounted at the rate of 4.50% per annum.

11. INVENTORIES

This account consisted of :

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	As at July 31, 2011	As at July 31, 2010	As at July 31, 2011	As at July 31, 2010
Finished goods	589,810	51,985,255	-	-
Work in process	1,040,086	887,111	-	887,111
Raw materials	52,836,466	38,164,714	2,454,508	21,813,812
Total	54,466,362	91,037,080	2,454,508	22,700,923

NOTES TO FINANCIAL STATEMENTS

12. RESTRICTED DEPOSITS AT FINANCIAL INSTITUTIONS

Deposits of the Company and its subsidiaries have been pledged as security against bank guarantees issued by a bank on behalf of the Company and its subsidiaries as security required in the normal course of business of the Company and its subsidiaries.

13. INVESTMENTS IN SUBSIDIARIES ACCOUNTED FOR UNDER COST METHOD

As at July 31, 2011 and 2010, investments in subsidiaries accounted for under cost method represent investments in ordinary shares in the following subsidiaries.

(Unit : Baht)

Company' s name	Equity %	Paid - up share capital		At equity method		At cost method	
		As at July 31, 2011	As at July 31, 2010	As at July 31, 2011	As at July 31, 2010	As at July 31, 2011	As at July 31, 2010
Siam ISO Pro Co., Ltd.	99.99	112,000,000	112,000,000	154,840,111	188,821,149	111,999,940	111,999,940
Mark Worldwide Co., Ltd.	99.99	280,200,000	280,200,000	418,200,800	485,563,678	280,199,940	280,199,940
City Steel Products Co., Ltd.	99.99	247,050,000	30,700,000	321,699,340	30,096,614	247,049,980	30,699,980
Total investments in subsidiaries				894,740,251	704,481,441	639,249,860	422,899,860
Less : Allowance for impairment of investments in subsidiary				(15,380,000)	(15,380,000)	(15,380,000)	(15,380,000)
Total investments in subsidiaries				879,360,251	689,101,441	623,869,860	407,519,860

During the year of 2009/2010, the Company has invested in a new subsidiary, City Steel Products Company Limited, which is 100 - percent owned by the Company and is registered in Thailand on August 5, 2009. In the year of 2010/2011, the Company has paid up for 91.5 percent of the subsidiary' s registered capital, equivalent to Baht 247.05 million.

14. PROPERTY, PLANT AND EQUIPMENT, NET

This account consisted of :

(Unit : Baht)

Consolidated financial statements					
	Balance As at July 31, 2010	Additions	Deduction	Transfers in (out)	Balance As at July 31, 2011
<u>At cost</u>					
Land	58,858,269	-	-	-	58,858,269
Building	118,025,781	-	-	3,305,259	121,331,040
Machinery and equipment	250,851,448	118,344,673	(3,640,170)	39,401,656	404,957,607
Vehicle	38,626,973	3,049,023	(802,666)	-	40,873,330
Furniture and office equipment	10,163,601	2,248,649	-	412,196	12,824,446
Work in progress	18,071,677	96,590,727	-	(43,119,111)	71,543,293
Total	494,597,749	220,233,072	(4,442,836)	-	710,387,985
<u>Less Accumulated depreciation :</u>					
Building	14,851,931	5,932,788	-	-	20,784,719
Machinery and equipment	95,919,717	30,910,434	(1,272,503)	-	125,557,648
Vehicle	33,897,579	2,686,329	(802,665)	-	35,781,243
Furniture and office equipment	6,766,105	1,166,047	-	-	7,932,152
Total	151,435,332	40,695,598	(2,075,168)	-	190,055,762
Property, plant and equipment, net	343,162,417				520,332,223
Depreciation for the years ended July 31,					
2011 (Baht 35.75 million included in cost of sales and services and the balance in administrative expenses)					40,695,598
2010 (Baht 20.01 million included in cost of sales and services and the balance in administrative expenses)					23,581,686

NOTES TO FINANCIAL STATEMENTS

(Unit : Baht)

Separate financial statements					
	Balance As at July 31, 2010	Additions	Deduction	Transfers in (out)	Balance As at July 31, 2011
<u>At cost</u>					
Building	18,190,380	-	(13,725,985)	-	4,464,395
Machinery and equipment	92,408,857	254,682	(44,968,750)	-	47,694,789
Vehicle	18,668,602	65,421	(802,666)	-	17,931,357
Furniture and office equipment	4,306,257	-	(140,000)	-	4,166,257
Total	133,574,096	320,103	(59,637,401)	-	74,256,798
<u>Less Accumulated depreciation :</u>					
Building	4,380,756	585,708	(3,853,798)	-	1,112,666
Machinery and equipment	50,828,573	5,059,425	(14,716,901)	-	41,171,097
Vehicle	18,659,777	5,726	(802,664)	-	17,862,839
Furniture and office equipment	3,925,379	125,227	(29,058)	-	4,021,548
Total	77,794,485	5,776,086	(19,402,421)	-	64,168,150
Property, plant and equipment, net	55,779,611				10,088,648
Depreciation for the years ended July 31,					
2011 (Baht 5.65 million included in cost of sales and service and the balance in administrative expenses)					5,776,086
2010 (Baht 8.28 million included in cost of sales and service and the balance in administrative expenses)					8,663,056

A subsidiary has mortgaged land and construction with a total net book value as at July 31, 2011, of Baht 150.8 million (July 31, 2010 : Baht 156.2 million) to secure credit facilities from financial institution.

As at July 31, 2011 and 2010, certain plant and equipment items of the Company and its subsidiaries have been fully depreciated but are still in use. The original cost of those assets amounted to approximately Baht 65.0 million and Baht 57.7 million, respectively (the company : Baht 52.2 million and Baht 49.8 million, respectively).

15. INTANGIBLE ASSETS - NET

This account consisted of :

(Unit : Baht)

Consolidated financial statements			
	Balance As at July 31, 2010	Additions	Balance As at July 31, 2011
<u>At cost</u>			
Computer software	1,939,270	67,500	2,006,770
<u>Less Accumulated amortization</u>	574,412	493,574	1,067,986
Intangible assets - net	1,364,858		938,784
Amortization for the years ended July 31, (Included in administrative expenses)			
2011			493,574
2010			305,051

NOTES TO FINANCIAL STATEMENTS

(Unit : Baht)

	Separate financial statements			
	Balance As at July 31, 2010	Additions	Deduction	Balance As at July 31, 2011
<u>At cost</u>				
Computer software	1,279,270	-	-	1,279,270
<u>Less</u> Accumulated amortization	525,033	255,672	-	780,705
Intangible assets - net	754,237			498,565
Amortization for the years ended July 31, (Included in administrative expenses)				
2011				255,672
2010				255,672

16. INVESTMENT PROPERTY

During the third quarter of the year 2009/2010, the subsidiary had purchased a plot of land at the amount of Baht 18.1 million and had already obtained the title of this land. As at July 31, 2011, this land has not yet been used in business operation.

17. CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to ensure that it has an appropriate financial structure and preserves the ability to continue its business as a going concern.

According to the separate balance sheet as at July 31, 2011 and 2010 the Company's debt - to - equity ratio was 0.003 : 1 and 0.03 : 1, respectively.

18. DIVIDEND

A meeting of the Board of Directors of the Company held on September 23, 2010 approved a resolution to propose a dividend of Baht 0.08 per share for the year 2009/2010, totaling Baht 24.0 million. This resolution was approved by the ordinary meeting of the shareholders on November 30, 2010. The Company paid a dividend to the shareholders in December 2010.

A meeting of the Board of Directors of the Company held on September 26, 2009 approved a resolution to propose a dividend of Baht 0.11 per share for the year 2008/2009, totaling Baht 33.0 million. This resolution was approved by the ordinary meeting of the shareholders on November 30, 2009. The Company paid a dividend to the shareholders in December 2009.

NOTES TO FINANCIAL STATEMENTS

19. EXPENSE BY NATURE

Significant expenses by nature are as follow :

(Unit : Baht)

	For the years ended July 31,			
	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Raw material and consumable used	352,146,257	271,487,825	96,623,134	165,179,212
Change in inventories of finished goods and work in process	51,242,469	(16,754,962)	887,111	(100,420)
Depreciation and amortization	41,189,172	23,886,737	6,031,758	8,918,728
Gain (loss) on exchange rate	(1,872,736)	902,147	-	(260,531)
Employee benefit cost	58,832,679	48,376,304	16,603,129	23,123,096
Purchase of raw materials and finished goods	254,304,798	319,881,798	86,680,319	206,014,949

20. PROVIDENT FUND

The Company, its subsidiaries and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Employees, the Company and its subsidiaries contributed to the fund monthly at the rate of 2 percent of the basic salary. The fund, which is managed by TISCO Asset Management Company Limited, will be paid to employees upon termination in accordance with the fund rules. For the years ended July 31, 2011 and 2010 the contributions by the Company and its subsidiaries amounted in total of Baht 0.85 million and Baht 0.86 million, respectively (the Company : Baht 0.85 million and Baht 0.86 million, respectively).

21. CORPORATE INCOME TAX

Corporate income tax is calculated at the rate of 25 percent of taxable income, which is calculated from the profit before corporate income tax by adding back certain expenses which are non - deductible for tax computation purposes.

A subsidiary was granted promotional privileges by the Board of Investment. The tax privileges include exemption from corporate income tax on profits from the promoted activities.

Corporate Income Tax Consisted of :

(Unit : Baht)

	For the years ended July 31,			
	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Main Components of Corporate Income Tax Expenses (Revenue)				
Profit before Corporate Income Tax	82,967,914	66,680,578	116,280,157	36,561,631
Entries Adjusted to Arrive at Taxable Profit				
Expenses - Not Tax Deductible	444,207	1,770,959	127,836	128,212
Expenses (Reversal) - Tax Deductible	(2,226,785)	(2,722,200)	(112,618,362)	(28,031,696)
Net profit exempted from investment promotion	(75,295,236)	(59,591,603)	-	-
Taxable profit	5,890,100	6,137,734	3,789,631	8,658,147
Corporate Income Tax Expenses	2,575,115	2,166,248	947,408	2,166,248

NOTES TO FINANCIAL STATEMENTS

22. PROMOTIONAL PRIVILEGES

Under the Investment Promotion Act B.E. 2520, the Board of Investment has granted Mark Worldwide Company Limited promotional privileges for the manufacture of metal equipment and tool under the certificate No. 1263(2)/2549, subjected to certain imposed conditions, the privileges include the followings :-

- A fifty percent reduction of import duty on machinery as approved by the Board.
- Profit from the promoted activities, up to a maximum of 100% of the total investment made, excluding the price of land and working capital, are exempted from corporate income tax for a period of three years commencing as from the date of first earning operating income (Started August 2, 2007)

Under the Investment Promotion Act BE 2520, the Board of Investment has granted City Steel Products Company Limited promotional privileges for the manufacture of material handling and storage equipment under the certificate No. 2007(1)/2552, subjected to certain imposed conditions, the privileges include the followings :-

- A fifty percent reduction of import duty on machinery as approved by the Board.
- Profit from the promoted activities, up to a maximum of 100% of the total investment made, excluding the price of land and working capital, are exempted from corporate income tax for a period of eight years commencing as from the date of first earning operation income (Started August 3, 2010)

Revenues of its subsidiaries for the years ended July 31, 2011 and 2010 as classified by the promoted and non - promoted operations are as follows :-

(Unit : Baht)

	2011			2010		
	Promoted activity	Non - Promoted activity	Total	Promoted activity	Non - Promoted activity	Total
Domestic revenue						
Sales	247,106,386	-	247,106,386	208,050,887	-	208,050,887
Other income	103,384	-	103,384	796,967	15,671	812,638
Total domestic revenues	247,209,770	-	247,209,770	208,847,854	15,671	208,863,525

23. FINANCIAL INFORMATION BY SEGMENT

The core operations of the Company and its subsidiaries are carried on in the single geographic area of Thailand. These comprise the manufacture and sale of metal fabrication, storage system and material handling equipment, and fabricated metal parts, as well as the provision of one - stop metal processing services and the sale of metals. Most sales, operating profits and assets of the Company and its subsidiaries pertain to the manufacture and sale of metal products.

NOTES TO FINANCIAL STATEMENTS

24. COMMITMENTS AND CONTINGENT LIABILITIES

24.1 Operating lease commitments

The Company and its subsidiaries have entered into the long - term lease agreement in respect of factory and offices spaces, for the period of 34 months from October 2010 to July 2013 with the rental fee amount of Baht 52,800.00 per month.

As at July 31, 2011, The Company has commitment under the agreement for the rental fee as follows :-

	<u>Million Baht</u>
Payable within :	
1 year	0.6
More than 1 year to 5 years	0.6

24.2 Guarantees

As at July 31, 2011 and 2010, there were outstanding bank guarantees of approximately Baht 1.5 million and Baht 1.3 million, respectively (the company : Baht 0.7 million and Baht 0.7 million, respectively) issued by a bank on behalf of the Company and subsidiaries in respect of certain performance bonds as required in the normal courses of business.

24.3 Loan facilities from financial institutions

The Company obtained loan facilities from local commercial banks totaling Baht 300 million (July 31, 2010 : Baht 300 million). These loans are guaranteed by two subsidiaries and the subsidiary' s land and construction thereon.

24.4 Others

The Company had outstanding commitment in respect of uncalled portion of investments in its subsidiaries approximately Baht 79.75 million.

25. FINANCIAL INSTRUMENTS

25.1 Financial risk management

Financial instruments of the Company and its subsidiaries, as defined under Thai Accounting Standard No. 32 "Financial Instruments : Disclosure and Presentations", principally comprise of cash and cash equivalents, trade accounts receivable, investments, and trade account payable. The financial risks associated with these financial instruments and how they are managed are described below.

Credit risk

The Company and its subsidiaries are exposed to credit risk that mainly associated with trade accounts receivable. Also, the credit risk is not concentrated in particular industry since the Company and subsidiaries have a large customer base in various industrial sectors. Therefore, the Company and subsidiaries do not expect to incur material financial losses. The maximum exposure to credit risk is limited to the carrying amounts of receivables as stated in the balance sheet.

NOTES TO FINANCIAL STATEMENTS

Interest rate risk

Exposure of the Company and its subsidiaries to interest rate risk primarily relates to cash at banks. However, since most of the Company and its subsidiaries financial assets bear floating interest rates so the interest rate risk is expected to be minimal.

Significant financial assets and liabilities as at July 31, 2011 classified by type of interest rates are summarized in the table below.

(Unit : Million Baht)

Consolidated financial statements	Floating interest rate	Non - interest bearing	Total	Interest rate (% p.a.)
Financial assets				
Cash and cash equivalents	213	0	213	0.00 - 2.90
Trade accounts receivable	-	90	90	-
Deposits with restrictions	2	-	2	0.60 - 1.75
	215	90	305	
Financial liabilities				
Trade accounts payable	-	32	32	
	-	32	32	

(Unit : Million Baht)

Separate financial statements	Floating interest rate	Non - interest bearing	Total	Interest rate (% p.a.)
Financial assets				
Cash and cash equivalents	24	-	24	0.00 - 2.90
Trade accounts receivable	-	2	2	-
Deposits with restrictions	2	-	2	0.60 - 1.75
	26	2	28	
Financial liabilities				
Trade accounts payable	-	1	1	
	-	1	1	

Foreign currency risk

Exposure of the Company and its subsidiaries to foreign currency risk arises mainly from trading transactions that are denominated in foreign currencies.

25.2 Fair values of financial instruments

Since the majority of the Company and its subsidiaries financial instruments are short - term in nature, their fair value is not expected to be materially different from the amounts presented in the balance sheets.



NOTES TO FINANCIAL STATEMENTS

A fair value is the amount for which an asset can be exchanged settled between knowledgeable, willing parties in an arm's length transaction. The fair value is determined by reference to the market price of the financial instrument or by using an appropriate valuation technique, depending on the nature of the instrument.

26. CHANGE IN OPERATION STRUCTURE

The current year, The Company has changed its business structure from manufacture and sale of metal products to become a holding company which mainly invests in subsidiaries. According to the change in business structure, during this year, the Company had sold parts of its production facilities and machinery and equipment to its subsidiary at the book value of Baht 38.02 million.

27. SUBSEQUENT EVENTS

A meeting of the Board of Directors of the Company held on September 26, 2011 approved a resolution to propose a dividend of Baht 0.10 per share for the year 2010/2011

The Company will propose the resolution of the above meeting of the Board of Directors for adoption by the Annual General Meeting of the shareholders.

28. APPROVAL OF FINANCIAL STATEMENTS

These interim financial statements were authorized for issue by the Company's Board of Directors on September 26, 2011.



บริษัท ชิตี สตีล จำกัด (มหาชน)
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