



# ANNUAL REPORT 2019

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.



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# MESSAGE FROM THE CHAIRMAN

The year 2018/2019 was one of the year that the world economy and domestic economy extremely fluctuated, as there were various events and factors affecting the economy, including the interest rate hike and cut policies from the central banks of so many countries, the increasing tensions of trade war between China and the United States, the uncertainty of Brexit, and the political protest and violent situations in Hong Kong. Furthermore, the expectation of national election in Thailand and the delay of the government formation afterward, as well as the draught and flood situations in the country were also affected the domestic economy in the past year.

Since the Group's products are capital goods, they heavily rely on the economic growth and the expansion of the industrial sectors. When the economy is in turmoil, the Group's operating performances swing accordingly. In the first half of the fiscal year or around August 2018 - January 2019, the Group's revenues had improved from the same period of the previous year due to the recovery of the global economy and the expectation of the national election, which encouraged the manufacturing and industrial sectors to increase their investment. However, during the second half of the fiscal year (from February - July 2019), there were so many negative factors affecting the economy, especially the trade war and the prolonged formation of the government. The industrial sectors had lost the confidence to invest and the expansion of manufacturing sectors started to decline. As a result, the Group's total revenues significantly decreased compared to the same period of the previous year.

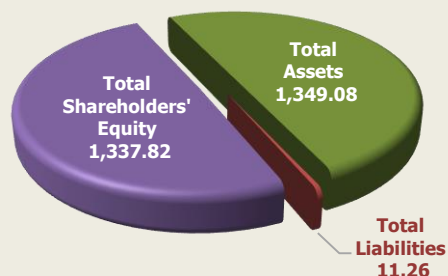
According to these mentioned factors, the Group had adapted several strategies to cope with the changing situations. Therefore, the total revenues for the entire year were comparable to the previous year. However, the strong appreciation of Thai Baht and the expiration of the corporate income tax exemption privilege of the BOI promoted activity had caused the Group's net income to decrease considerably. The Groups had strived to operate the business with prudent and cautious and maintained good financial status and liquidity in order to best preserved the shareholders' benefits.

Finally, we would like to thank all of our staffs for the commitment and dedication. Also, we would like to express our gratitude to our shareholders, customers, business alliances and partners, and all relevant parties for your well supports over the years. The Group will strive to efficiently operate the businesses and manage the operations according to the Good Corporate Governance practices and anti-corruption policies by operating with transparency and fairness, as well as take into account of corporate social responsibility and concern of interests of all stakeholders, which are the foundation toward a sustainable growth.

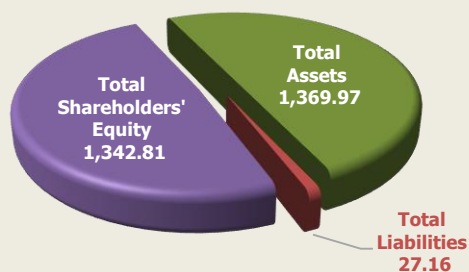
Mr. Charoenpong Ongwongsakul  
Chairman of the Board of Director

## FINANCIAL HIGHLIGHTS

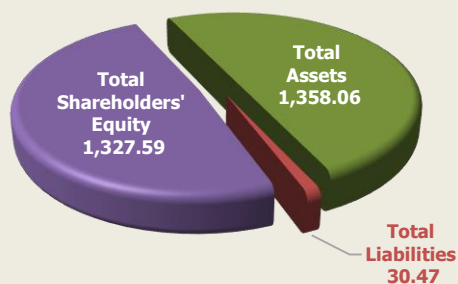
**2017**



**2018**

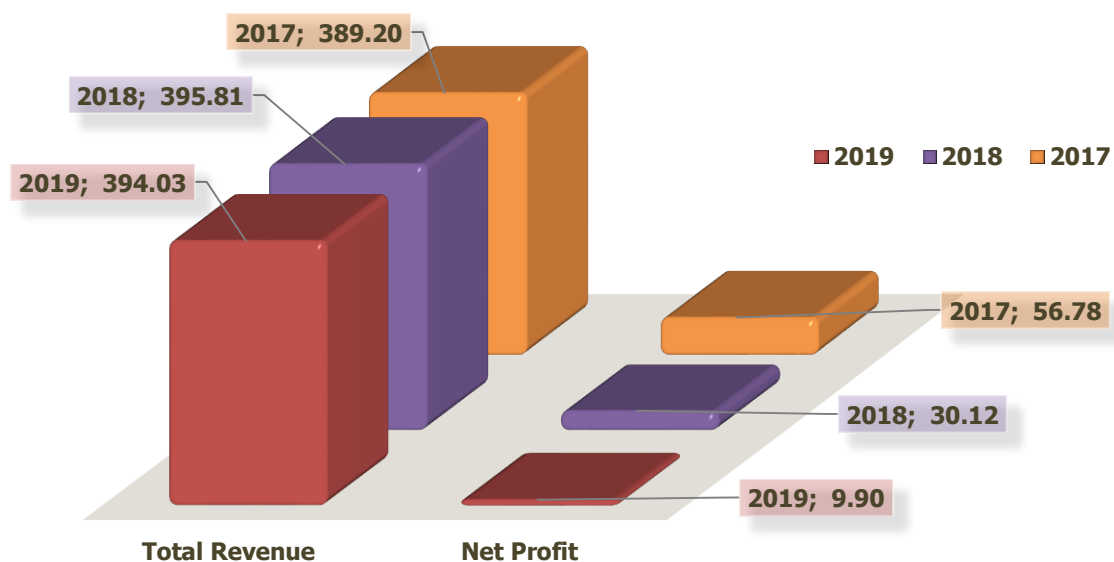


**2019**



	Unit	2017	2018	2019
Total Revenue	(THB Million)	389.20	395.81	394.03
Gross Profit	(THB Million)	112.46	83.56	75.60
Net Profit	(THB Million)	56.78	30.12	9.90
Total Assets	(THB Million)	1,349.08	1,369.97	1,358.06
Total Liabilities	(THB Million)	11.26	27.16	30.47
Total Shareholders' Equity	(THB Million)	1,337.82	1,342.81	1,327.59
Paid Up Capital	(THB Million)	300.00	300.00	300.00

	Unit	2017	2561	2562
Gross Profit Margin	(%)	29.61	21.71	19.70
Net Profit Margin	(%)	14.59	7.61	2.51
Return on Equity	(%)	4.28	2.25	0.74
Return on Assets	(%)	4.24	2.22	0.73
Liquidity Ratio	(Times)	92.03	46.18	46.15
Debt to Equity Ratio	(Times)	0.01	0.02	0.02
Dividend pay out Ratio	(%)	35.40	36.98	39.84



# GENERAL INFORMATION OF THE COMPANY AND SUBSIDIARIES

## COMPANY INFORMATION



Company Name : City Steel Public Company Limited  
Symbol : CITY  
Type of Business : Sales of metal products  
Head Office : 88/3 Moo 4, Bypass Road, Nongmaidaeng, Muang,  
Chonburi 20000  
Registered Number : 0107547000931  
Registered Capital : THB 300,000,000  
Paid Up Capital : THB 300,000,000 (As at July 31, 2019)  
Share Type : Common share of 300,000,000 shares  
Par Value : THB 1 each  
Website : <http://www.citysteelpcl.com>  
Email : [city@wkpgroup.com](mailto:city@wkpgroup.com), [ir@wkpgroup.com](mailto:ir@wkpgroup.com)  
Phone Number : (038) 214-530-32  
Fax Number : (038) 214-534

### References

#### Share Registrar

Thailand Security Depository Company Limited  
93 Ratchadaphisek Road, Din Daeng, Bangkok 10400  
Phone Number : (02) 009-9000  
Fax Number : (02) 009-9991

#### Auditor

Mr. Pojana Asvasontichai  
Certified Public Accountant No. 4891  
Dharmniti Auditing Company Limited  
178 Dharmniti Building 6-7th Floor,  
Soi Permsap (Pracha Chuen 20), Pracha Chuen Road,  
Bangsue, Bangkok 10800  
Phone Number : (02) 596-0500 ext. 622, (02) 596-0596  
Website : <http://www.daa.co.th>  
Email : [center@add.co.th](mailto:center@add.co.th)

## SUBSIDIARIES INFORMATION



### Siam ISO PRO Company Limited

Type of Business : Merchandising industrial materials and  
overseeing new business expansion.  
Head Office : 88/2 Moo 4, Bypass Road, Nongmaidaeng,  
Muang, Chonburi 20000  
Registered Number : 0205546002113  
Registered Capital : THB 370,000,000  
Paid Up Capital : THB 264,160,000 (As at July 31, 2019)  
% of share holding : 99.99%



### Mark Worldwide Company Limited

Type of Business : Manufacturing and sales of metal products.  
Head Office : 41/58-61 Moo 1, Bypass Road, Bansuan,  
Muang, Chonburi 20000  
Registered Number : 0205544011158  
Registered Capital : THB 295,000,000  
Paid Up Capital : THB 280,200,000 (As at July 31, 2019)  
% of share holding : 99.99%



### City Steel Products Company Limited

Type of Business : Manufacturing and sales of metal products.  
Head Office : 88/20 Moo 10, Bypass Road, Napa, Muang,  
Chonburi 20000  
Registered Number : 0205552013105  
Registered Capital : THB 270,000,000  
Paid Up Capital : THB 247,050,000 (As at July 31, 2019)  
% of share holding : 99.99%

### CT Universal Company Limited

Type of Business : Merchandising industrial materials and  
consumer products, and investing in new  
business.  
Registered Country : Republic of Seychelles  
Registered Capital : USD 5,000,000  
Paid Up Capital : USD 5,000,000 (As at July 31, 2019)  
Equal to THB 172,400,000 (At F/X THB  
34.48 / USD 1)  
% of share holding : Siam ISO Pro Company Limited owns 100%  
of total shares.





# OVERVIEW, POLICY, AND NATURE OF BUSINESS

## BUSINESS OVERVIEW

City Steel Public Company Limited was established on August 7, 1995 with registered capital of THB 1 million and had objective to manufacture and sell metal products. Presently, City Steel Public Company Limited has registered capital of THB 300 million and is listed in the Stock Exchange of Thailand in “Steel” sector. The Company has invested in 3 direct subsidiaries includes Siam ISO Pro Company Limited, Mark Worldwide Company Limited, and City Steel Products Company Limited as well as 1 indirect subsidiary which is CT Universal Company Limited that is registered in Republic of Seychelles.

The Group is in the business of manufacturing and processing of metal products with the corporate vision to be the leading company in metal fabrication industry which has consecutive profits and the good corporate governance in Thailand. Currently, 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. The Group also emphasizes on

exceptional customer services and on time delivery. In addition, the Group concerns of all stakeholder’s benefits as mentioned in the corporate mission statement of “To fulfill our customers’ satisfaction with our quality goods and services. To provide stable career and satisfied rewards to our entire employees. To provide our shareholders with increasing share value. To continuously improve our corporate efficiency and effectiveness”.

In the year 2018/2019, the Group operates in only one operating segment that is manufacturing and sales of metal products with production capacity of 39,500 tons per year. The Group divides marketing and production teams into 2 operating units: (1) Manufacturing and sales of metal structures, storage systems and material handling equipment, and other metal products, and (2) Manufacturing and sales of metal materials, metal parts, and fabricated metal parts, as well as providing metal processing services. Additionally, to fulfill various customer needs, the Group also offers industrial materials and machinery for the customers as well.



## CORPORATE VISION

To be the leading company in metal fabrication industry which has consecutive profits and the good corporate governance in Thailand.

## CORPORATE MISSION

To fulfill our customers' satisfaction with our quality goods and services.

To provide stable career and satisfied reward to our entire employee.

To provide our shareholders with increasing shares' value.

To improve our corporate efficiency and effectiveness continuously.



### BUSINESS OBJECTIVE

The business of manufacturing and sales of metal products, metal structures, storage system and material handling equipment, as well as providing one stop metal services and trading metal materials, requires knowleges, capabilities, skills, and experiences of the enterprises. Advanced machinery and technology in manufacturing processes are also important factors to create products differentiation from competitors and serve various demands of customers in order to gain reliability in the products and services. Therefore, the Group aims to become a leader in manufacturing and servicing of metal products by manufacture high quality and high standard products with high technology and high efficiency machines to maximize customers' satisfaction and to achieve cost leadership. The Group intends to optimize production costs with efficient management and continuous improvement in research and development as well as emphasizes in on time delivery according to the Group's Quality Policy of "Providing good products with high quality to satisfy customer with on time delivery and continuous development."

The Group intends to increase sales revenues by 5-10% per year by maintaining current customers and expanding marketing channels in both domestic and international markets by finding new customers and extending to other related business that help support the Group's current business operation

## BACKGROUND AND MAJOR MILESTONES



### 1995

- City Steel Company Limited established on August 7, 1995 with registered capital of THB 1 million.
- Started production of storage system, material handling equipment, and metal products.

### 2002

- Granted in international standard ISO9002:1994 certification.
- Increased registered capital to THB 31 million.

### 2003

- Granted a brand "Thailand's Brand" from Department of Export Promotion.
- Increased registered capital to THB 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 THB 200 million .
- Transformed into a Public Company on October 5, 2004.

### 2006

- Increased registered capital to THB 300 million.
- Approved as a registered company by the Stock Exchange of Thailand.
- Started trading in the stock market on February 23, 2006.

### 2007

- Started production of Mark Worldwide Company Limited (BOI Privilege).



### 2009

- Established "City Steel Products Company Limited" on September 7, 2009 with registered capital of THB 100 million.

### 2010

- Started production of City Steel Products Company Limited (BOI Privilege).

### 2011

- City Steel Products Company Limited increased registered capital to THB 270 million



### 2012

- Earned "SET AWARDS" of Best Company Performance Awards for listed companies with market capitals not exceed THB 10,000 million, Group 4.

### 2014

- Established "CT Universal Company Limited" in Hong Kong SAR on January 15, 2014 with registered capital of USD 3 million, with objectives to facilitate the Group future expansion plan, merchandise industrial materials and consumer products as well as investing in new businesses.

### 2017

- Established CT Universal Company Limited in Republic of Seychelles on January 20, 2017 with registered and paid up capital of USD 5 million, with objectives to facilitate future expansion, merchandise industrial materials and consumer products, and investing in new businesses.
- Dissolution of CT Universal Company Limited (Hong Kong) on February 15, 2017.
- Siam ISO Pro Company Limited increased registered capital to THB 370 million.



## THE GROUP'S SHAREHOLDING STRUCTURE

City Steel Public Company Limited has invested in subsidiaries that have objectives of manufacturing and sales of metal products and merchandising industrial materials and consumer products. As at July 31, 2019, details of the subsidiaries were as follows:

### MARK WORLDWIDE COMPANY LIMITED

**Nature of Business:** Manufacturing and sales of metal materials, metal parts, and fabricated metal parts, as well as providing metal processing services.

**Percentage of Share Holding:** The Company holds 99.99% in the subsidiary.

### CITY STEEL PRODUCTS COMPANY LIMITED

**Nature of Business:** Manufacturing and sales of metal structures, storage systems and material handling equipment, and other metal products.

**Percentage of Share Holding:** The Company holds 99.99% in the subsidiary.

## Merchandising Industrial Materials

## Manufacturing and Sales of Metal Products

### ISO PRO COMPANY LIMITED

**Nature of Business:** Merchandising metal products, industrial materials and equipment, and overseeing new business expansion.

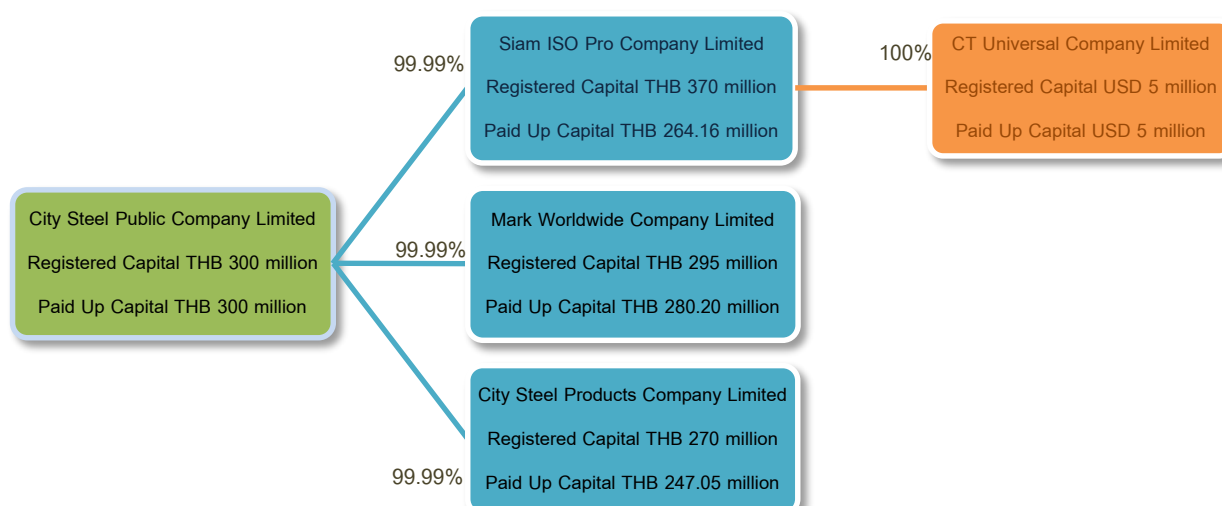
**Percentage of Share Holding:** The Company holds 99.99% in the subsidiary.

### CT Universal Company Limited

**Nature of Business:** Merchandising industrial materials and consumer products as well as investing in new businesses.

**Percentage of Share Holding:** The Subsidiary, Siam ISO Pro Co., Ltd. holds 100% in CT Universal Co., Ltd

The Group's shareholding structure as at July 31, 2019



## PRODUCTS AND SERVICES

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). In the year 2018/2019, the Group separated the operation into 4 business units as follows:



1. **Manufacturing of Metal Products.** This business unit 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.

### 1.2 Storage System and Material Handling Equipment

#### ◆ Storage System

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.

#### ◆ Material Handling Equipment

Material handling equipment 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 places to places. Examples of material handling equipment are cart and dolly, pallet, conveyor system, and dock equipment.

### 1.3 Other Metal Products

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



2. Manufacturing and Sales of Semi Products and Rendering of World Class Steel Services. This business unit 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, zinc sheet, furniture steel pipe, stainless steel square pipe, cold rolled steel plate, square steel pipe, stainless steel pipe, stainless steel sheet, etc.

**3. Support business**

Supporting business unit is 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 accountable for investment in new business and oversee business expansion of the Group.





Racking System

Shelving System



Mezzanine Platform



Mobile Shelving



Cabinet and Locker

Constructional Products



Cart and Dolly

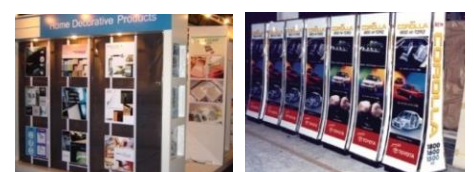
Pallet



Conveyor System



Dock Equipment



Other Metal Products

## The Group's Revenue Structure

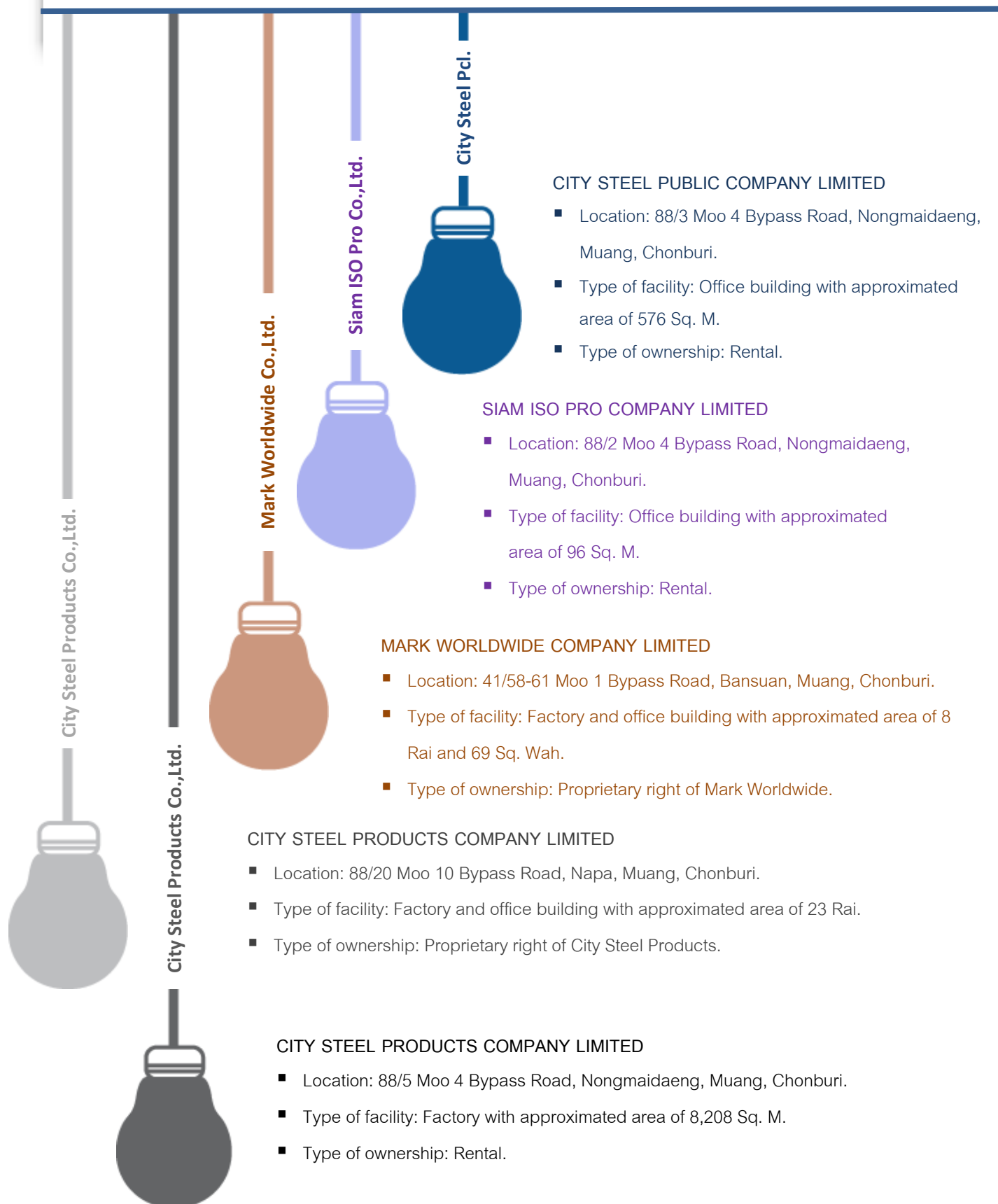
Revenue Sources	Generated by	2016/2017 (Aug '16 – Jul '17)		2017/2018 (Aug '17 – Jul '18)		2018/2019 (Aug '18 – Jul '19)	
		THB million	%	THB million	%	THB million	%
<u>Domestic Revenues</u>							
1. Manufacturing and Sales of Metal Products							
♦ Manufacturing and sales of metal structures, storage systems and material handling equipment, and other metal products	The Group	332.83	85.52	345.25	87.22	360.08	91.39
♦ Manufacturing and sales of fabricated metal parts	The Group	26.64	6.84	9.96	2.52	11.82	3.00
2. Merchandising Industrial Materials							
♦ Merchandising industrial materials and equipment	The Group	-	-	-	-	-	-
Total Domestic Revenues		359.47	92.36	355.21	89.74	371.90	94.39
<u>Overseas Revenues</u>							
1. Manufacturing and Sales of Metal Products							
♦ Manufacturing and sales of metal structures, storage systems and material handling equipment, and other metal products	The Group	20.26	5.21	29.71	7.51	11.91	3.02
♦ Manufacturing and sales of fabricated metal parts	-	-	-	-	-	-	-
2. Merchandising Industrial Materials							
♦ Merchandising industrial materials and equipment	-	-	-	-	-	-	-
Total Overseas Revenues		20.26	5.21	29.71	7.51	11.91	3.02
Other Revenues	The Group	9.47	2.43	10.89	2.75	10.22	2.59
Total Revenues		389.20	100.00	395.81	100.00	394.03	100.00





## PRODUCTION FACILITIES

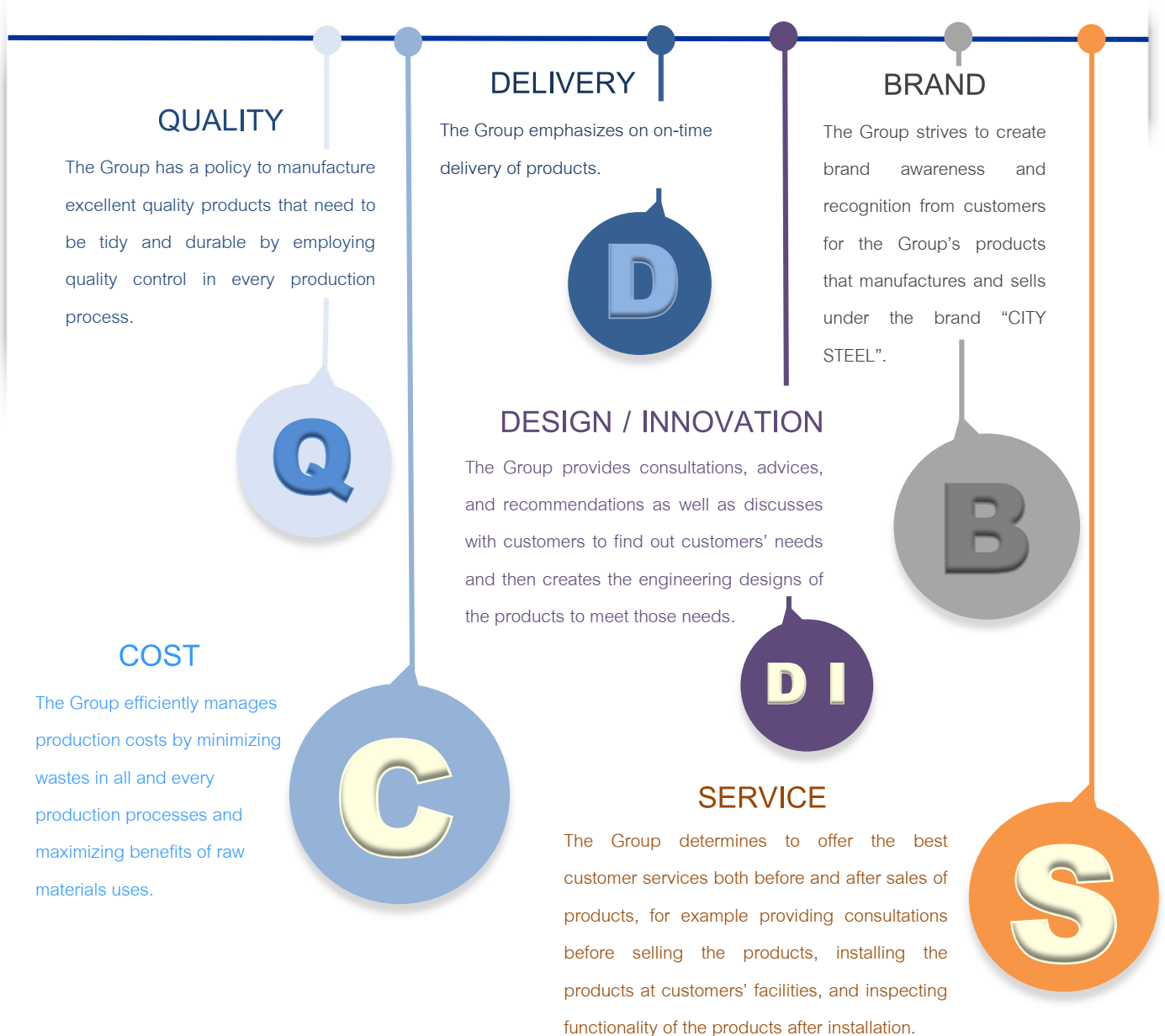
As at July 31, 2019, the Group has operated in 5 business locations as follows:



## The Group's Revenue Structure

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 20 years 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:



## CUSTOMER CATEGORIES AND PROSPECTS

Presently, the Group has both domestic and overseas customers, but most of the customers are domestic customers. Details of both domestic and overseas customers are as follows;

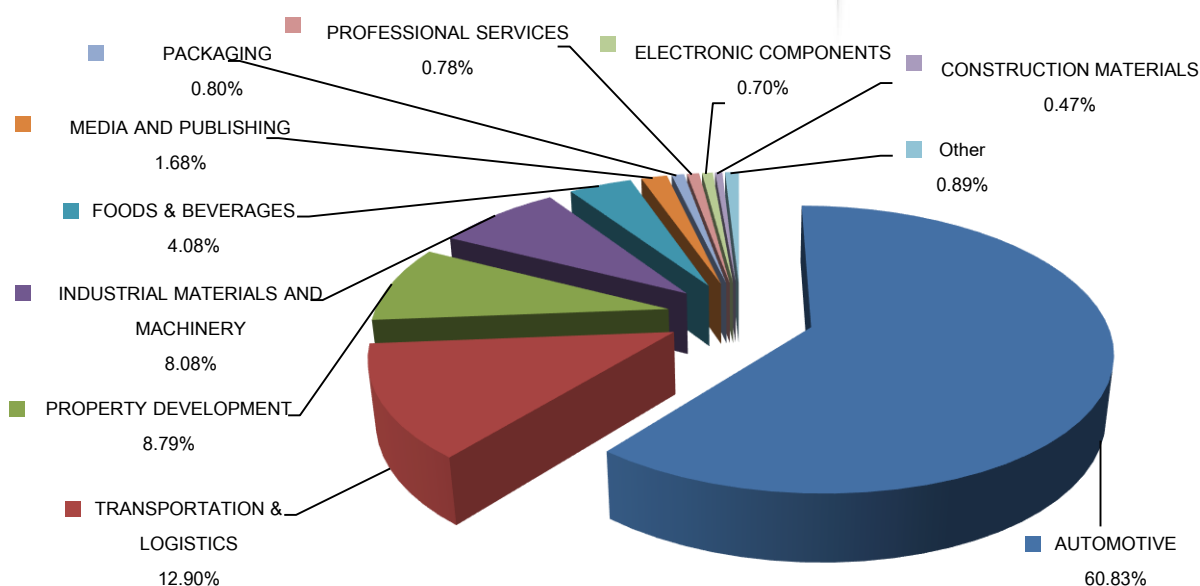
### Domestic Customers

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, 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 orders from most of the customers.

As at July 31, 2019, the Group's customer base is well diversified with more than 3,000 companies in 25 industrial sectors such as Automotive, Industrial Materials & Machinery, Property Development, Transportation & Logistics, Construction Materials, Electronic Components, Petrochemicals & Chemicals, Home & Office Products, Media & Publishing, and Fashion.

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, Taiwan, 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.

### Overseas Customers



## RISK FACTORS

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

### **Risk associated with the fluctuation of raw material prices.**

Major materials used to produce the Group's products are metal materials including hot-rolled steel plates, cold-rolled steel plates, profiled steel, as well as stainless steel and aluminum. These metal prices are directly related to demands of metal consumers and supplies of producers around the world and other related factors such as foreign exchange rate, import duty, and surcharge. In the year 2017/2018 the metal materials used in the Group's production accounted for 49.88 percent of cost of goods sold, whereas in the year 2018/2019 accounted for 47.89 percent. Therefore, changes in the metal prices will directly affect the Group's cost of goods sold, revenues, 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 Group has been able to maintain the profit margin. Thus, the fluctuations of raw material prices do not have significant effects to the Group's operating results.

### **Risk associated with economic conditions.**

As majority of the Group's products are capital goods, demands for the products will arise only when there are new investments. Customers will order the products when they want to expand, restore, improve, or

relocate their factories. If economy is on an upward trend, the factories or capacities expansion will increase, which will result in an increase in demands for the Group's products. On the other hand, if the economy is in recession, investment in production facilities or capacities expansion will decline and will cause a decrease in demands for the capital goods.

Once economy gets weaken, purchasing power of customers will decline, results in a decrease in demands for the products and escalates intense competition in term of both price and products and services differentiation. Therefore, the Group has to offer variety of products and services to meet requirements of the customers and keep developing and introducing new products as well as improving production efficiency in order to retain customers and maintain good operating performances. The Group also has to find new customers in various industrial sectors to reduce risk associated with economic recession. If a particular industry incurs a contraction, the Group will be able to provide products and services to other growing industries. Currently, the Group has a customer base of over 3,000 customers diversified in 25 industries, which enable the Group to be able to minimize risk associated with economic conditions.

### **Risk associated with labor shortage.**

Nowadays, Thailand has entered the aging society and working-age population has been on a decline, causing labor force difficult to find and the labors may not have skills that meet the Group's requirements. Since the Group's products are custom made to the customers' requirements, product designs or patterns and quantities vary significantly, making it is difficult to use automated machinery to replace workers. Thus, quality workforce is the vital factor in the Group's

production processes. The Group tries to reduce the risk of labor shortage by regularly recruiting new employees and continually training and developing to improve and enhance skills of the employees as well as taking care and providing suitable compensation and benefits to retain value staffs with the organization in a long term.

**Risk associated with dependence of domestic market.**

Presently, the Group's major revenues mainly derive from domestic sales. The proportion of domestic sales in 2016/2017, 2017/2018, and 2018/2019 were 94.67% , 92.28% , and 96.90% , respectively. According to these figures, the proportion of domestic customers was very large. So, if the domestic economy declines, the Group's revenues and profits will be negatively affected. Moreover, as most of the Group's customers are multinational enterprises, if they move the production facilities to other countries, the demand for the Group's products and the Group's revenues will decrease accordingly. However, the Group has strived to expand to overseas markets by increasing overseas distribution channels through direct selling to end users, distributing through agents, contacting via subsidiaries or branches of multinational corporations located in Thailand, as well as participating in trade exhibitions. The Group will operate with caution and emphasize in the countries that the economies are still growing. The Group anticipates that an increase in oversea distribution channels will be able to expand its customer base in foreign markets, which can minimize the risk of relying on domestic market.

**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 noncontinuous. 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 calculate 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.

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 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 continuing purchase.

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 July 31, 2019 the Group's accounts receivable was THB 63.41 million, which equaled to 16.52% of sales and service revenues, with average collection period of 62.67 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. Furthermore, several of the Group's customers who are large corporations have extended their credit terms from 30 days to 90-120 days, which may affect the Group's cash cycle as well.

Nevertheless, the Group regularly monitors quality of each account 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 equipment, 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.

However, currently, initial investment in metal fabrication and metal processing services business is getting lower so there are a lot of small competitors enter into the market. Medium and large enterprises who used to be middle men in trading metal materials have started to add value to their products by providing processing services and sell the products directly to the end users. These situations have created intense competition in this market. To avoid the price competition, the Group has reduced portion of revenues from this product category and put emphasis on revenues from metal structures and storage system and material handling equipment instead, which the Group has a competitive edge.

Over the 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 exceptional before and after sales services. This has created impression among the Group's customers and helped retain the customer base, as well as generated repeated purchases from the existing customers.

**Risk associated with exchange rate.**

The Group has imported goods from and exported products to overseas in foreign currencies, which exposes the Group to foreign exchange risk. The Group has managed the foreign exchange risk by closely monitoring the exchange rates and using Foreign Currency Deposit (FCD) account or purchasing a forward contract as well as making an early payment based on a suitable level of cash flows.

Although using the FCD account can reduce the foreign exchange risk as there is no need to convert the foreign currencies to Thai Baht right away, the translation of the amounts in the FCD account at the end of each reporting period may result in accounting gain or loss on the foreign exchange rates for the period. 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.

Besides the trading transactions, the Group also has an investment in subsidiary in foreign currency, which will create a foreign exchange rate risk when the subsidiary pays dividend or repatriates income back to the Company. In order to reduce the effect of exchange rate risk, the Group always keep lookout on the exchange rate and will be very cautious when making those transactions. The Company has to convert the subsidiary's financial statement in to Thai Baht at the end of the accounting period, which will generate an unrealized gain or loss from the conversion of the financial statement. The unrealized gain or loss will be presented in shareholders' equity in the statement of financial position and in other comprehensive incomes in the statement of comprehensive incomes according to the accounting standards.

**Risk associated with major shareholders holding shares more than 50%.**

As at October 15, 2019, Phongratanadechachai family held 72.92% of the Company's issued and paid-up capital, which will enable the Phongratanadechachai family to take control over most of the resolutions of shareholders' meeting. The resolutions include the appointment of directors and other agenda that required majority votes of shareholders, except for the matters that required by law or company's articles of association that required the votes of three-fourth of the shareholders' meeting. Therefore, other shareholders might not be able to collect sufficient votes to examine and counter balance in the agenda that the major shareholders would propose.

## SHAREHOLDER'S STRUCTURE

List of major shareholders as at October 15, 2019, the record date for the right to attend the Annual General Meeting of shareholders are as follows:

Name of major shareholders	Number of shares (Shares)	Percentage of shares holding (%)
1. Group of Phongratanadechachai Family <sup>/1</sup>		
» WKP Asset Plus Company Limited <sup>/2</sup>	166,500,000	55.50
» Mr. Komgrich Phongratanadechachai	7,709,625	2.57
» Mr. Wibool Phongratanadechachai	7,500,000	2.50
» Mrs. Kheng Phongratanadechachai	7,500,000	2.50
» Mr. Satit Phongratanadechachai	7,500,000	2.50
» Miss Suputra Phongratanadechachai	7,500,000	2.50
» Mrs. Orawan Phongratanadechachai	7,500,000	2.50
» Mr. Bundit Phongratanadechachai	7,047,100	2.35
<b>Total</b>	<b>218,756,725</b>	<b>72.92</b>
2. Mr. Santachai Phrombundarnkul	4,000,000	1.34
3. Mr. Surachet Kamolmongkolsuk	3,221,200	1.07
4. Miss Ornubol Chomdech	2,222,200	0.74
5. Mr. Weerawat Chutichatethaphong	2,129,900	0.71
6. Miss Rungrapeeporn Wannaplook	1,643,900	0.55
7. Mr. Phaphong Pramroj	1,359,100	0.45
8. Mr. Rungroj Napa-umporn	1,300,000	0.43
9. Mr. Theeranun Kiatsingnakorn	1,233,500	0.41
10. Mr. Somboon Wichaithanarak	1,230,000	0.41
<b>Total</b>	<b>237,096,525</b>	<b>79.03</b>

**Remarks** <sup>/1</sup> WKP Asset Plus Company Limited, Mr. Komgrich Phongratanadechachai, Mr. Wibool Phongratanadechachai, Mrs. Kheng Phongratanadechachai, Mr. Satit Phongratanadechachai, Miss Suputra Phongratanadechachai, Mrs. Orawan Phongratana-dechachai, and Mr. Bundit Phongratanadechachai are categorized under the same group of persons in accordance with the Notification of Capital Market Supervisory Board No. Tor Chor, 7/2552 Re: Acting in concert as a result of the nature of a relationship or behavior and requirements under Sections 246 and 247.

<sup>/2</sup> WKP Asset Plus Co., Ltd. is fully owned by Phongratanadechachai Family.

## DIVIDEND POLICY

The Company has a policy to pay not more than 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 2017/2018 operating performance at THB 0.04 per share or equal to 39.84% of net profit after tax and legal reserve.

Previous dividend payment were presented as follows:

Year	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018
Earnings Per Share (THB)	0.50	0.46	0.23	0.19	0.10
Dividend Per Share (THB)	0.16	0.12	0.08	0.07	0.04
Dividend Payout Ratio (%)	32.31 %	26.07 %	35.40 %	36.99 %	39.84 %

## MANAGEMENT STRUCTURE

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

### The Board of Directors

- Executive Directors 3 members
- Independent Directors 3 members

As of July 31, 2019, the Board of Directors consisted of 6 members as listed below;

1. Mr. Charoenpong Ongwongsakul

Chairman of the Board of Directors

- |                                  |          |
|----------------------------------|----------|
| 2. Mrs. Boontip Changnil         | Director |
| 3. Miss Chatsuman Tanomjit       | Director |
| 4. Mr. Anutara Tantraporn        | Director |
| 5. Mr. Patarathorn Thatsanasuwan | Director |
| 6. Mr. Harirak Chamarakula       | Director |

### Authorized Directors

The authorized directors are Mr. Charoenpong Ongwongsakul, Mrs. Boontip Changnil, and Miss Chatsuman Tanomjit. The two directors out of three cosign 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 operation and supervise the Company's activities to be in

accordance with rules and regulations of relevant governing body. Also, to oversee the Company to adequately disclose information to shareholders and all stakeholders and monitor the Company to transparently manage its businesses to maximize the economic value and wealth of the 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 Shareholder's 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 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 companies.
- 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 Directors shall consist of not less than 5 members. Not less than 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 reelected. 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 hold by shareholders who attend the meeting and have the rights to vote are required.

#### Attendance of Director Meeting for the year 2018/2019

Directors	Position	Director Meeting	
		Total Meeting	No. of Attendance
1. Mr. Charoenpong Ongwongsakul	Director / Chairman of the Board of Directors and Chairman of the Executive Director	4	4
2. Mrs. Boontip Changnil	Director and Executive Director	4	4
3. Miss Chatsuman Tanomjit	Director and Executive Director	4	3
4. Mr. Anutara Tantraporn	Director / Independent Director and Chairman of the Audit Committee	4	4
5. Mr. Patarathorn Thatsanasuwan	Director / Independent Director and Audit Committee	4	4
6. Mr. Harirak Chamarakula	Director / Independent Director and Audit Committee	4	4

## Board of Directors Remuneration

Directors	Year 2016/2017		Year 2017/2018		Year 2018/2019	
	Amount (THB)	Remuneration	Amount (THB)	Remuneration	Amount (THB)	Remuneration
1. Mr. Charoenpong Ongwongsakul <sup>/1</sup>	-	-	-	-	-	-
2. Mrs. Boontip Changnil <sup>/1</sup>	-	-	-	-	-	-
3. Miss Chatsuman Tanomjit <sup>/1</sup>	-	-	-	-	-	-
4. Mr. Anutara Tantraporn	55,500.00	Meeting	74,000.00	Meeting	74,000.00	Meeting
5. Mr. Patarathorn Thatsanasuwan	58,000.00	Meeting	58,000.00	Meeting	58,000.00	Meeting
6. Mr. Harirak Chamarakula	58,000.00	Meeting	58,000.00	Meeting	58,000.00	Meeting

**Remarks** <sup>/1</sup> Mr. Charoenpong Ongwongsakul, Mrs. Boontip Changnil, and Miss Chatsuman Tanomjit are the Executive Managements. They will not receive director remuneration, they will only receive remuneration as the Executive Managements.

### AUDIT COMMITTEE

As at July 31, 2019, the Audit Committee consists of 3 Independent Directors as below:

- |                                  |                                 |
|----------------------------------|---------------------------------|
| 1. Mr. Anutara Tantraporn        | Chairman of the Audit Committee |
| 2. Mr. Pattarathon Thatsanasuwan | Audit Committee                 |
| 3. Mr. Harirak Chamarakula       | Audit Committee                 |

The Audit Committee who has experiences in reviewing of the Company's financial statements is Mr. Harirak Chamarakula who presently resides in the position of Head of Motor and Travel Business Unit, AXA Assistance Co., Ltd.

### 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 statement 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 Directors for the approval of the Shareholders' Meeting by considering the reputation, resources, capacity, as well as the experience of such external auditor. During a year, the Audit Committee should attend at least 1 meeting with the external auditor without presence of management.

5. To consider connected transactions or transactions that may lead to any conflict of interests to be in accordance with laws and the Stock Exchange of Thailand's regulations and to ensure that those transactions are correct, complete, and rational as well as create highest benefits to the Company.

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 that may have conflict of interests.
- Number of Audit Committee meetings and attendance of each member of the Audit Committee.
- Overall opinion or observation 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.

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 the Company, 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 on Management Discussion and Analysis, 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. However, 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, unless the engagement in those activities has ended for more than 2 years.
- 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 or used to have business relationships with the Company, parent company, subsidiaries, associates, or entities that may have conflicts, as well as must not 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.
- 9) The Independent Directors should be in the position for not more than 9 years however the directors may be in the position for more than 9 years as deemed necessary and appropriate.

## EXECUTIVE DIRECTORS

As at July 31, 2019, the Executive Directors consisted of 3 members as follows:

1. Mr. Charoenpong Ongwongsakul  
Chairman of the Executive Director
2. Mrs. Boontip Changnil Executive Director
3. Miss Chatsuman Tanomjit Executive Director

### Executive Director's Roles and Responsibilities

1. Has authority to order, plan, and manage the Company operation according to the policies set 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 undertaking in legal act, which related 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 that 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 Directors 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.

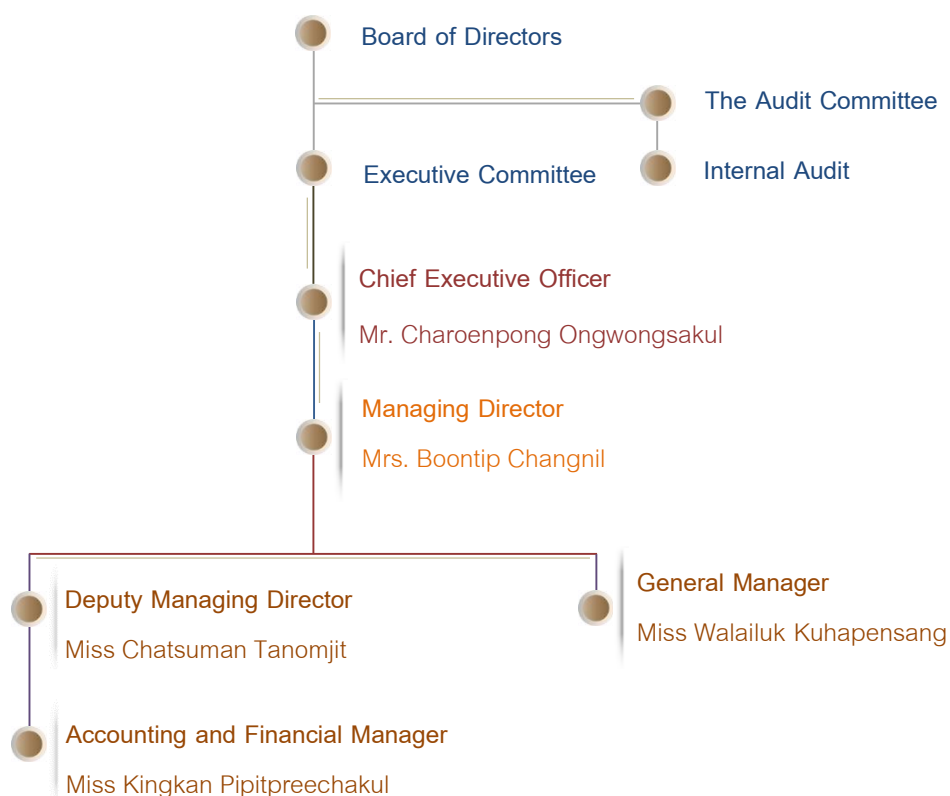
#### **Management Team**

1. Mr. Charoenpong Ongwongsakul  
Chief Executive Officer
2. Mrs. Boontip Changnil  
Managing Director
3. Miss Chatsuman Tanomjit  
Deputy Managing Director
4. Miss Walailuk Kuhapensang  
General Manager
5. Miss Kingkan Pipitpreechakul  
Accounting and Financial Manager

#### **Company Secretary**

The Board of Directors has appointed Mrs. Parichard Phongratanadechachai to serve as a company secretary since June 11, 2008. The company secretary must perform her duty with due care, responsibility, and honesty as well as strictly follows regulations, company objectives, and the Board of Directors and shareholders' resolutions. Duties and responsibilities of the company secretary include preparing and maintaining all meeting documents, directors register, and reports on conflict of interest of the directors, organizing directors and shareholders' meetings, coordinating with the directors, other internal departments, and external regulators. In addition, the company secretary also responsible for providing information regarding relevant laws and regulations, taking care of investor relation and corporate social responsibility activities, and other duties required by the Capital Market Supervisory Board and the Company.

## Organization Chart as of July 31, 2019



## Executive Director Remunerations

The Group's executive director remunerations consisted of salary and bonus with details as follows :

	Year 2016/2017		Year 2017/2018		Year 2018/2019	
	Persons	Amount (THB Million)	Persons	Amount (THB Million)	Persons	Amount (THB Million)
Total Salary	5	2.93	5	2.69	5	2.48
Total Bonus	5	0.24	5	0.28	5	0.26
Total	5	3.17	5	2.97	5	2.74

## DETAILS OF THE DIRECTORS AND EXECUTIVES

**Mr. Charoenpong Ongwongsakul**

**Age 41**

Chairman of Board of Director  
Chief Executive Officer  
Authorized Directors

### Academic Qualifications

- ♦ B.Eng. : Electrical Engineering, King Mongkut's University of Technology

### Thai Institute of Director Association (IOD)'s Seminar Courses

- ♦ Director Accreditation Program (DAP) 61/2007

### Number of Shares Holding

- ♦ 900,000 shares equal to 0.30%

### Family Relationship Between Directors and Executives

- ♦ None

### Previous Work Experiences During Last 5 Years

- ♦ 2015 – Present Chairman of the Board of Director, City Steel PCL.
- ♦ 2015 – Present Director and Chief Executive Officer, City Steel PCL.
- ♦ 2005 – 2015 Director and Deputy Managing Director, City Steel PCL.

### Director Positions Hold in Other Organizations

Listed Company : -None-

Non-Listed Company :

- ♦ 2015 – Present Director, Siam ISO Pro Co., Ltd. (Subsidiary)
- ♦ 2015 – Present Director, Mark Worldwide Co., Ltd. (Subsidiary)
- ♦ 2015 – Present Director, City Steel Products Co., Ltd. (Subsidiary)
- ♦ 2017 – Present Director, CT Universal Co., Ltd. (Subsidiary)

Other entities that may have a conflict of interest : -None-

### Records of Legal Dispute within Last 10 years

- ♦ None

**Mrs. Boontip Changnil**

**Age 43**

Company Director  
Managing Director  
Authorized Directors

### Academic Qualifications

- ♦ BBA : Management, Accounting, Phuket Rajabhat University

### Thai Institute of Director Association (IOD)'s Seminar Courses

- ♦ Director Accreditation Program (DAP) 120/2015

### Number of Shares Holding

- ♦ 15 shares equal to 0.00%

### Family Relationship Between Directors and Executives

- ♦ None

### Previous Work Experiences During Last 5 Years

- ♦ 2015 – Present Director and Managing Director, City Steel PCL.
- ♦ 2006 – 2015 General Manager – Supporting Function and Accounting and Financial Manager, City Steel PCL.

### Director Positions Hold in Other Organization

Listed Company : -None-

Non-Listed Company :

- ♦ 2015 – Present Director, Siam ISO Pro Co., Ltd. (Subsidiary)
- ♦ 2015 – Present Director, Mark Worldwide Co., Ltd. (Subsidiary)
- ♦ 2015 – Present Director, City Steel Products Co., Ltd. (Subsidiary)
- ♦ 2017 – Present Director, CT Universal Co., Ltd. (Subsidiary)

Other entities that may have a conflict of interest : -None-

### Records of Legal Dispute within Last 10 years

- ♦ None

**Miss Chatsuman Tanomjit**

**Age 36**

Company Director  
Deputy Managing Director  
Authorized Directors

**Academic Qualifications**

- ♦ B.A. : Accounting, Sripatum University

**Thai Institute of Director Association (IOD)'s Seminar Courses**

- ♦ Director Accreditation Program (DAP) 149/2018

**Number of Shares Holding**

- ♦ None

**Family Relationship Between Directors and Executives**

- ♦ None

**Previous Work Experiences During Last 5 Years**

- ♦ 2018 – Present Director and Deputy Managing Director  
City Steel PCL.
- ♦ 2015 – 2018 Accounting and Financial Manager,  
City Steel PCL.
- ♦ 2013 – 2015 Deputy Accounting and Financial Manager,  
City Steel PCL.

**Director Positions Hold in Other Organizations**

Listed Company : -None-

Non-Listed Company :

- ♦ 2018 – Present Director,  
Siam ISO Pro Co., Ltd. (Subsidiary)
- ♦ 2018 – Present Director,  
Mark Worldwide Co., Ltd. (Subsidiary)
- ♦ 2018 – Present Director,  
City Steel Products Co., Ltd. (Subsidiary)

Other entities that may have a conflict of interest : -None-

**Records of Legal Dispute within last 10 years**

- ♦ None

**Mr. Anutara Tantraporn**

**Age 48**

Independent Director  
Chairman of the Audit Committee

**Academic Qualifications**

- ♦ M.A. : Animation & Interactive Multimedia, Visual Communication,  
RMIT University, Australia
- ♦ Grad. DIP : Animation & Interactive Multimedia, Visual  
Communication, RMIT University, Australia
- ♦ Cert. DIP : Computer Aided Art & Design, School of Arts and  
Design, RMIT University, Australia

**Thai Institute of Director Association (IOD)'s Seminar Courses**

- ♦ Director Accreditation Program (DAP) 61/2007

**Number of Shares Holding**

- ♦ None

**Family Relationship Between Directors and Executives**

- ♦ None

**Previous Work Experiences During Last 5 Years**

- ♦ 2015 –Present Independent Director and  
Chairman of the Audit Committee,  
City Steel PCL.
- ♦ 2006 – 2015 Independent Director and Audit Committee,  
City Steel PCL.
- ♦ 2010 – Present Executive Director, Hastin School
- ♦ 2016 – 2018 IT Consultant, Sonic Interfreight Co., Ltd.
- ♦ 2009 – 2016 Vice President – ICT,  
Phraram 3 Honda Cars Co., Ltd.

**Director Positions Hold in Other Organizations**

Listed Company : -None-

Non-Listed Company : -None-

Other entities that may have a conflict of interest : -None-

**Records of Legal Dispute within Last 10 years**

- ♦ None

Mr. Pattarathon Thatsanasuwan

Age 44

Independent Director  
Audit Committee

#### Academic Qualifications

- ♦ LL.B. : Law, Ramkhamhaeng University
- ♦ B.Sc. : Science, Chandrakasem Rajabhat University

#### Thai Institute of Director Association (IOD)'s Seminar Courses

- ♦ Director Accreditation Program (DAP) 61/2007

#### Number of Shares Holding

- ♦ None

#### Family Relationship Between Directors and Executives

- ♦ None

#### Previous Work Experiences During Last 5 Years

- ♦ 2006 – Present Independent Director and Audit Committee, City Steel PCL.
- ♦ 2006 – Present Partner, Lawyer, and Attorney at Law, PTM and Associate Limited Partnership Law Office
- ♦ 2010 – Present Consultant, Thai Fitting Home Group Co., Ltd.

#### Director Positions Hold in Other Organizations

Listed Company : -None-

Non-Listed Company : -None-

Other entities that may have a conflict of interest : -None-

#### Records of Legal Dispute within last 10 years

- ♦ None

Mr. Harirak Chamarakula

Age 47

Independent Director  
Audit Committee

#### Academic Qualifications

- ♦ MBA.: Business Administration, Shenandoah University, USA.
- ♦ B.Eng. : Mechanical Engineering, Kasetsart University
- ♦ BBA : General Management, Sukhothai Thammathirat University

#### Thai Institute of Director Association (IOD)'s Seminar Courses

- ♦ Director Accreditation Program (DAP) 120/2015

#### Number of Shares Holding

- ♦ None

#### Family Relationship Between Directors and Executives

- ♦ None

#### Previous Work Experiences During Last 5 Years

- ♦ 2015 – Present Independent Director and Audit Committee, City Steel PCL.
- ♦ 2019 – Present Head of Motor and Travel Business Unit, AXA Assistance Co., Ltd.
- ♦ 2017 – 2019 Senior Operations Manager – Motor, AXA Assistance Co., Ltd.
- ♦ 2014 – 2015 CRM and Service Marketing Manager, MG Sales (Thailand) Co., Ltd.

#### Director Positions Hold in Other Organizations

Listed Company : -None-

Non-Listed Company : -None-

Other entities that may have a conflict of interest : -None-

#### Records of Legal Dispute within last 10 years

- ♦ None

Miss Walailuk Kuhapensang

Age 55

General Manager

#### Academic Qualifications

- ♦ Upper Secondary School, Metropolis Non-Formal Education Center

#### Thai Institute of Director Association (IOD)'s Seminar Courses

- ♦ Director Accreditation Program (DAP) 27/2004

#### Number of Shares Holding

- ♦ 15 shares equal 0.00%

#### Family Relationship Between Directors and Executives

- ♦ None

#### Previous Work Experiences During Last 5 Years

- ♦ 2015 – Present General Manager, City Steel PCL.
- ♦ 2006 – 2015 General Manager – Core Function, City Steel PCL

#### Director Positions Hold in Other Organizations

Listed Company : -None-

Non-Listed Company : -None-

Other entities that may have a conflict of interest : -None-

#### Records of Legal Dispute within last 10 years

- ♦ None

Miss Kingkan Pipitpreechakul

Age 35

Accounting and Financial Manager

#### Academic Qualifications

- ♦ B.A. : Accounting, Ramkhamhaeng University

#### Thai Institute of Director Association (IOD)'s Seminar Courses

- ♦ None

#### Number of Shares Holding

- ♦ None

#### Family Relationship Between Directors and Executives

- ♦ None

#### Previous Work Experiences During Last 5 Years

- ♦ 2018 – Present Accounting and Financial Manager, City Steel PCL.
- ♦ 2015 – 2018 Deputy Accounting and Financial Manager, City Steel PCL.
- ♦ 2013 – 2015 Assistant Accounting and Financial Manager, City Steel PCL.

#### Director Positions Hold in Other Organizations

Listed Company : -None-

Non-Listed Company : -None-

Other entities that may have a conflict of interest : -None-

#### Records of Legal Dispute within last 10 years

- ♦ None



Mrs. Parichard Phongratanadechachai Age 38

Company Secretary

#### Academic Qualifications

- ♦ BBA : Management, Accounting, Rajabhat Rajanagarindra University

#### Thai Institute of Director Association (IOD)'s Seminar Courses

- ♦ None

#### Number of Shares Holding

- ♦ None

#### Family Relationship Between Directors and Executives

- ♦ None

#### Previous Work Experiences During Last 5 Years

- ♦ 2008 – Present Company Secretary, City Steel PCL.

#### Director Positions Hold in Other Organizations

Listed Company : -None-

Non-Listed Company : -None-

Other entities that may have a conflict of interest : -None-

#### Records of Legal Dispute within last 10 years

- ♦ None

#### Remarks

All directors and executives have never committed or been charged for the wrongdoing according to the Securities and Exchange Act B.E.2535 or Derivatives Act B.E.2546 in the following matters.

- 1) Fail to perform duty with responsibility, due care, and honesty.
- 2) Falsify information or disclosures that lead to misunderstanding or conceal significant information that may affect decisions of shareholders, investors, or relevant parties.
- 3) Involve or support unfair trading practices in securities or derivatives or used to involve or support in those activities.

#### Details of Subsidiaries' Directors

Directors	Subsidiaries			
	Siam ISO PRO Co., Ltd.	Mark Worldwide Co., Ltd.	City Steel Products Co., Ltd.	CT Universal Co., Ltd.
1. Mr.Charoenpong Ongwongsakul	A, B, /, //	A, B, /, //	A, B, /, //	/, //
2. Mrs. Boontip Changnil	C, /, //	C, /, //	C, /, //	/, //
3. Miss Chatsuman Tanomjit	D, /, //	D, /, //	D, /, //	-
4. Mr. Anutara Tantraporn	-	-	-	-
5. Mr. Pattarathon Thatsanasuwan	-	-	-	-
6. Mr. Harirak Chamarakula	-	-	-	-

**Remarks**

A = Chairman of the Board of Directors	B = Chairman of the Executive Directors, Chief Executive Officer
C = Managing Director	D = Deputy Managing Director
/ = Directors	// = Executive Directors

## Changes in Shareholding of the Directors and Executives

During the year 2018/2019, there was no change in the shareholding of the directors and executives of the Group. Detail of the shareholding as at July 31, 2019 presented as follows:

Directors and Executives	Position	Number Of Shares Holding (Shares)		Increase (Decrease) in Shareholding (Shares)
		Aug 1, 2018	July 31, 2019	
1. Mr. Charoenpong Ongwongsakul	Chairman and Chief Executive Officer	900,000	900,000	-
2. Mrs. Boontip Changnil	Director and Managing Director	15	15	-
3. Miss Chatsuman Tanomjit	Director and Deputy Managing Director	-	-	-
4. Mr. Anutara Tantraporn	Independent Director and Chairman of the Audit Committee	-	-	-
5. Mr. Pattarathon Thatsanasuwan	Independent Director and Audit Committee	-	-	-
6. Mr. Harirak Chamarakula	Independent Director and Audit Committee	-	-	-
7. Miss Walailuk Kuhapensang	General Manager	15	15	-
8. Miss Kingkan Pipitpreechakul	Accounting and Financial Manager	-	-	-

# CORPORATE GOVERNANCE

## CORPORATE GOVERNANCE POLICY

The Board of Directors determines to follow the Code of Best Practices of director of listed company and also emphasizes on good Corporate Governance according to the guidelines of the Stock Exchange of Thailand by considering overall stakeholders and social responsibilities. In order to maintain a sustainable growth, the Company and the Board of Directors has determined the corporate governance policies 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.

Apart from the mentioned policies, the Company has followed the Principles of Corporate Governance for listed company that proposed by the Stock Exchange of Thailand, which can be classified into 5 sections as follows:

### **Section 1 Rights of shareholders**

As the Company realizes the important of the rights of shareholders, the Company shall avoid any actions the violates those rights. The Company also

emphasizes on fair and equal treatment of shareholder rights by implementing the following procedures.

#### » Shareholders' meeting

1. The Company has sent out the meeting invitation that consists of date, time, venue, and meeting agenda as well as other supporting informations for each agenda and procedures to attend the shareholders' meeting to all shareholders at least 7 days in advance of the scheduled meeting date. The Company has also published these information on the Company's website at [www.citysteelpcl.com](http://www.citysteelpcl.com), so that the shareholders can be equally access to the information.

2. Prior to every shareholders' meeting, the Company has given the opportunity for the shareholders to propose additional agenda, nominate qualified candidates to be elected as the Company's directors, and send their inquiries to the Company by indicated the procedures to propose additional issues on the Company's website and disclose via the Stock Exchange of Thailand disclosure channel.

3. In the event that the shareholders can not attend the meeting, the Company encourage the shareholders to use the proxy forms that has been distributed with the meeting invitation to cast their votes. The distributed proxy forms consist of both general and specific proxy forms which will allow shareholders to specify their votes in each meeting agenda. The Company has also proposed at least 1 independent director whom the shareholders can appoint as their proxy.

» Procedures on the shareholders' meeting date

1. In every shareholders' meeting, the Company has allocated adequate time for discussion and encouraged the shareholders to express opinions, give recommendations, and ask related questions regarding the Company's operations during the meeting.

2. The Company has encouraged the use of voting cards in every shareholders' meeting. And for the agenda that contains several items such as appointment of directors, the Company has allowed the shareholders to vote for each director individually for transparency and for future reference.

3. The company has appointed the Company's auditor to be an independent representative of shareholders to count the votes and monitor the counting process for transparency, which has been announced at the beginning of the meeting and recorded in the minute.

» Preparation and disclosure of the minutes of shareholders' meetings

1. The Company has prepared the minutes of meetings with complete details including the voting procedures, list of individuals who attend the meeting, shareholders' questions, recommendations, and opinions, and resolutions and voting results, which has been recorded since the beginning of the meeting until the meeting has adjourned.

2. The Company has disclosed the meetings' resolutions through the Stock Exchange of Thailand and also made publicly available on the Company's website and neatly and safely keeps all the certified shareholders' minutes of meeting so the documents will be monitored easily.

## Section 2 Equitable treatment of shareholders

Apart from the shareholders' rights to vote in each meeting that mentioned in the Section 1, the Company has also emphasized on fair and equitable treatment of every shareholder including both executive and non-executive shareholders, and foreign shareholders as well. In which, the Company has employed the following procedures.

» Disclosure of information before the shareholders' meeting

1. The Company has submitted the meeting schedule, meeting agenda, and directors' opinion on each agenda to the Stock Exchange of Thailand prior to the scheduled meeting date.

2. Every news and announcements that submitted to the Stock Exchange of Thailand have been prepared in both Thai and English versions. In addition, the meeting invitation, supporting documents for each meeting agenda, proxy forms, the minutes of meeting, as well as annual report, have also been translated into English so the shareholders can equally access to these information.

» Protection of minority shareholders

1. The Company has determined criteria and processes on allowing minority shareholders to propose additional agenda and to nominate candidates to be elected as directors in advance before the meeting date by announcing via the Stock Exchange of Thailand and posting on the Company's website. For the 2018 Annual General Meeting of Shareholders, there was neither additional agenda nor candidate proposed by the minority shareholders.

2. The executive shareholders have not added additional agenda without advance notice especially for

the issue that required times to consider before making decision.

» Protection against abuse of inside information

The Company has a policy of controlling and supervising the use of its inside information to gain profits from trading of the Company's securities in advance. The information that have not been disclosed to the public will be kept confidentially. Significant information necessary for work conduct will be provided to only relevant employees. In addition, the Company has prescribed measures of controlling and preventing its directors, executives, and employees from using the Company's secret information for their own benefits, and has imposed penalties for the employees who violate the rules, as well as has instructed everyone in the organization to abide by these rules.

» Conflicts of interest of directors

The Board of Directors is well informed of the transactions that may have conflict of interests before considering those transactions. 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 may cause conflict of interests, the Company will propose those transactions to the Audit Committee to verify and give opinions on those transactions, which then be consequently proposed to the Board of Directors. The Company will strictly conduct the transactions that may have conflict of interests according to rules and regulations of the Stock Exchange of Thailand. Furthermore, in considering the transactions that may have conflicts of interest, the directors who have conflicts of interest will not be

allowed to participate and vote in those particular agenda.

### Section 3 Role of stakeholders

The Company has emphasized in conducting business on the foundation of responsibility, transparency, integrity, and fair competition by treating all stakeholders with fairness and respecting the regulations and mutual agreement. The Company has determined and communicated policies and best practices and encouraged the Company's directors, management, and employees to follow these policies with integrity by concerning all stakeholders as follows:

» Shareholders

Beside a fair and an equitable treatment of shareholder rights including the rights to attend and vote in the meeting, the rights to receive dividend, and other rights specified in Section 1 and 2, the Company has also determined to operate the business with full ability and with caution in order to generate good operating results and optimize the shareholders' wealth. The Company has also assigned a communication channel for the shareholders to interact with the Company via the investor relation department, who will provide information about the Company, reply to the shareholders' inquiries, acknowledge opinions and recommendations, and accept complaints. The investor relation department can be contacted at the phone number (038)214-530-32 or the Company website at [www.citysteelpcl.com](http://www.citysteelpcl.com) or email address at [ir@wkpgroup.com](mailto:ir@wkpgroup.com).

» Customers

The Company determines to treat all customer with appropriateness, consideration, and responsibility by employing the following practices.

1. Manufacturing high quality products that meet customers' requirements at the reasonable price.

2. Rendering good services both before and after sales by providing advices, recommendations, and cooperation to create products that match the customers' requirements before selling those products to the customers, delivering products on time, assisting and helping, and inspecting the products after uses.

3. Pursuing continuous improvement to create variety of products to satisfy various demands of the customers.

4. Keeping customers' information including drawings and example products as secret and preventing the disclosure of these informations without consent of the customers.

#### » Employees

Employees are an important factor that contribute to the Company's success so the Company has determined to treat the employees with fairness and equality as well as to ensure that every employee can have a good standard of living by establishing the following practices.

1. Respects every employee rights and equally treats every employee regardless of nationality, gender, age, educational background, or physical appearance, which the Company has hired employees with disabilities and provided them suitable duties.

2. Provides fair compensation and proper benefits as well as raises the compensations every year based on current situation, economic condition, and employees' performance evaluations.

3. Encourages the employees to participate in special activities and projects to promote collaboration and working efficiency.

4. Set up safety working environment and organizes orientation and training for the employees regarding safety working environment.

5. Promotes skills development by arranging in-house training for new employees in each department and outside training for particular skills as well as organizing a project for the employees to exchange their knowledges among one another so the employees will gain variety of knowledges from various departments.

6. Gives opportunities for the employees to express their opinions and recommendation that will be useful for organization development. Also accepts complaints from the employees via "Smile Creating Unit".

7. Creates good corporate value for all employee by emphasizing on the philosophy of "Good person is important than everything". Also motivates every employee to perform their duties with integrity and cultivates employees to have mindset of anti-corruption by not allowing employees to give or accept bribes or any incentives since bribery is illegal and also imposes penalties in case of violation.

#### » Trading Partners and Creditors

In order to create and maintain long-term relationship with business partners, the Company has set up a policy to treat trading partners and creditors on a fairly cooperation basis by following trade rules, commercial terms, and contracts. The Company has established a policy in choosing suppliers by prohibiting the employees from accepting or requesting any incentives from the suppliers and must not involve in any transactions the may cause conflicts of interests. If any employees fail to follow this policy, certain penalties will be imposed.

» Competitors

The Company has committed to operate business bases on fair competition and will not do anything that may discredit or disgrace the competitors.

» Community, Society, and Environment

The Company is well aware of the significant of the development of the society and community and realizes of the duties and responsibilities to the neighbor community. Therefore, the Company has determined to avoid creating any troubles to the nearby community and provide cooperation to the community where the Company located. In addition, the Company has devoted to environment and energy conservation by employing the philosophy of "Maximize benefits with highest efficiency" to motivate and cultivate the employees to conserve energy and use resources wisely and efficiently and has strictly followed the environmental laws and regulations.

Beside operating business according to the Corporate Governance Principles and responsible for all stakeholder, the Company has set a whistle blowing policy by arranging communication channel for the stakeholders to suggest, complain, or inform of misconduct or inappropriate behavior or of unusual circumstances to independent directors. The stakeholders can contact the independent directors directly at the email address; [compliance@citysteelpcl.com](mailto:compliance@citysteelpcl.com) or by fax to internal audit department at (038) 214-534 or by postal mail at the Company's address. The Company has policies to protect identities of the informant by not disclosing names, addresses, or other information of the informant and will keep those information confidential.

## Section 4 Disclosure and transparency

The Company pays significant attention to the disclosure of both financial and non-financial information, which should be correct, complete, accurate, and in timely manner, which will benefit shareholders, investors, analysts, and other relevant parties. In order to achieve this objective, the Company has implemented the following actions.

1. The Company has ensured that the important informations including financial reports and non-financial informations are disclosed correctly, accurately, transparently, and on a timely basis according to the regulations of the Securities and Exchange Commission and the Stock Exchange of Thailand. These informations are disclosed through the Stock Exchange of Thailand and the Company's website so that everyone can easily and equally access to the informations.

2. The Company has disclosed several important information in the Annual Report and the Annual Registration Statement (Form 56-1) including Corporate Governance Principles, Business Ethics, Risk Management Policy, Corporate Social Responsibility Policy, Shareholders structure, The Group's Operating Structure, Changes in shareholding of Directors and Executives, and Nature of Businesses, as well as the Audited Financial Statements and Management Discussion and Analysis and other related informations. The Company believes that the disclosure of these informations will enable the investors to understand the changes that occurred each year and will be sufficient for decision making. These informations can be accessed through the Stock Exchange of Thailand's website and the Company's website where current and previous year Meeting Invitations and Minutes of Meeting have been posted as well.



3. The Company has arranged the investor relation unit to provide information about the Company and response to the investors' inquiries. The shareholders, investors, analysts, or other related departments can contact the investor relation at the company website at [www.citysteelpl.com](http://www.citysteelpl.com), phone number (038) 214-530-32 or email address at [ir@wkpgroup.com](mailto:ir@wkpgroup.com).

## Section 5 Responsibilities of the Board

The Board of Directors plays an important role in corporate governance for the best interests of the Company and the shareholders. To accomplish this objective, the Company has determined details of roles, duties, and responsibilities of the Board of Directors as follows:

### » The Leadership and Vision

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

1. The Board of Directors participates in the formulation (or provides their approval) of the vision, mission, strategies, business plans, goals, and budgets of the Company. They also oversee that management operates efficiently and effectively in accordance with the predetermined business plans and budgets, with a view to creating the highest economic values for the business, and the greatest degree of stability for shareholders.

2. 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.

3. The Board of Directors monitors management's operation to be consistent with the predetermined

policies 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.

4. The Board of Directors determines and provides a clear distinction between the roles, duties, and responsibilities of the Board of Directors, Audit Committee, and the Executive Management and regularly conveys that information to the Company's directors, management teams, and employees.

### » Ethics of the Board of Directors

1. The Board of Directors should perform their duties in accordance with the statement of Business Conduct and hold on to the Business Ethics prescribed by the Company.

2. The Board of Directors should perform their duties in accordance with laws, purposes, and policies of the Company, as well as resolutions of the shareholders' meeting, and safeguard the Company benefits.

3. The Board of Directors should perform their duties with responsibility and employing management skills and abilities to create prosperity and appropriate returns for the Company.

4. The Board of Directors should perform their duties with responsibility to the shareholders and stakeholders and appropriately and fairly treat all the stakeholders.

5. The Board of Directors 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.

» 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 6 directors who are

- Executive Directors 3 members
- Non-Executive Directors 3 members

There are 3 independent directors or equal to 50% of all directors.

» Segregation of Duties

The Company clearly divided scopes, roles, and responsibilities between the Chairman of the Board of Directors and the Chief Executive Officer (CEO). In addition, the Company has 3 Independent Directors, 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.

» Serving of Director Position

The Company has set a policy regarding the holding of director positions in other companies to be conform to the Best Practices set by the Stock Exchange of Thailand, which allow the Company's director to hold directors position in other listed companies for not more than 5 companies. Also, the Company has defined the duration of being the Company's independent directors of not more than 9 years, though the directors may be in the position for more than 9 years if it is deemed necessary and appropriate.

» Directors and Executives Remuneration

The remuneration of directors and executives 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.

» 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. During the year 2017/2018, Company Secretary had prepared the annual meeting schedules for the whole year, so the directors could know in advance the details and agenda of the meetings for the entire year. The agenda will be stated clearly and appointment letter will 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. At each meeting, a sufficient time will be allocated to allow each director to discuss and express opinion and the Chairman of the Board of Directors will summarize all the agenda. The minutes of meeting will be recorded and prepared so that the directors and other relevant persons can retrieve and verify those information later.

The Company has set a policy on the minimum quorum when casting the vote in the Board of Director meeting to be at least two-third of the total directors. In the year 2018/2019, attendance of the directors was 100% of all meeting. As necessary, the Company also provides opportunities for non-executive directors to conduct the meetings among themselves without management attend the meetings.

#### » Sub-Committee

The Board of Directors has appointed 3 Audit Committees who are independent directors to assist in monitoring the Company's operations. Scopes of work and authorities of the Audit Committee has been stated under the "Roles and responsibilities of the Audit Committee" section in this report. Although the Company has not assigned the remuneration committee, the Company has established procedures in considering suitable remuneration by comparing with remuneration data of similar-sized company in the same industry together with the Company operating result.

#### » 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 generally 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 that consisted of non-executives directors is responsible for the quality of financial reports and internal control systems.

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.

#### » Self-assessment of the Board of Directors

The Company conducts the Board of Directors self-assessment to evaluate the performance of the board as a whole and on an individual basis every year by using the board self-assessment form of the Stock Exchange of Thailand as a guideline for the evaluation. The board self-assessment will allow all members of the board to consider the board's performance and solve any problems or obstacles occurred during the year as well as allow each member of the board to express the opinions toward the board's performances as a whole in order to help improve and develop efficiency of the directors' performances. The topics of the assessment include:

- 1) Structures and qualifications of directors.
- 2) Roles, duties, and responsibilities.
- 3) Director meetings.
- 4) Directors' performances.
- 5) Relationship with management teams.
- 6) Directors' development.

#### » Directors' Development

The Company understands the important of personnel development in the organization. To ensure of continuous improvement in the operation, the directors and executives needs to have knowledges, skills, experiences, capabilities, and potentials that will benefit the Company. Therefore, the Company has determined the guidelines as follows:

##### ● Directors' Orientation

For new directors, the Company will arrange an orientation program to inform of the Company's business policies and other relevant information and distribute a listed company director's handbook, which includes the following information.

- 1) The Public Company Act.
- 2) Securities and Exchange Act.
- 3) Company Registration Certificate.
- 4) Company Articles of Association.
- 5) Guidelines for Directors of Listed Companies.
- 6) Recent Annual Report.
- Directors' Training

The Company encourages the directors to attend or participate in training courses that relevant to the development of the director in performing their duties with the Thai Institute of Directors (IOD) or other institutions. All directors had participated in the training courses with the Thai Institute of Directors in the previous years.

- Succession Planning

The Company has assigned the executive directors to be responsible for formulating the succession plan in order to ensure that the Company has recruited and prepared qualified employees to fill in the positions that important to the Company's operations. Every year the Company has conducted meetings to exchange skills and knowledges and systematically transfer duties and responsibilities.

## **SUPERVISION OF THE OPERATION OF SUBSIDIARY COMPANIES**

Since the Company invests in 4 subsidiaries in the proportion of 99.99% , the Company has appointed representatives to become the subsidiaries' directors and executives. The appointed representatives have responsibilities to perform their duties for the best interest of the subsidiaries and the Company. In considering important matters, the representatives must be approved by the Company's Board of Directors in order to vote in the matters that have the same significant level as the

issues that must be approved by the Company's Board of Directors. The appointment of the representatives to be the directors of the subsidiaries is based on the proportion of the Company's ownership in the subsidiaries.

The Company has enforced the same regulations regarding related party transactions, acquisition and disposal of assets, and other significant transactions on the subsidiaries as well as the disclosure of these transactions. The Company has also demands the subsidiaries to collect and record accounting transactions on a timely basis as the Company has to use this information in preparing consolidated financial statements.

## **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 directors, executives, and employees from using the Company's undisclosed 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 follows:

1. Directors, executives, and employees of the Company must keep the Company's secret and/or the Company's inside information.
2. Directors, executives, and employees 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. Directors, executives, and employees of the Company must not buy, sell, 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 relatives of the Directors, Executives, and employees 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. Directors, executives, and employees of the Company must not buy, sell, transfer, or receive transfer of Company's securities for the period of 1 month before the Company's financial statement and other relevant information are disclosed to the public and 24 hours after those information are disclosed.

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 the executives about their duties to report the changes in holding of the Company's securities to the Securities and Exchange Commission according to Section 59 of the Securities and Exchange Act B.E. 2535 within 3 days after the changes in securities holding. Also, the executives have to inform the company secretary to record the changes and summarize securities holding

of each individuals, which will be presented to the Board of Directors in the next meeting. The Company also has informed about penalties for violating these regulations.

## **INTERNAL CONTROL AND INTERNAL AUDIT SYSTEM**

The Company has emphasized on effective internal control systems in both management and operation levels, so responsibilities and authorities of employees and executives has been clearly defined in written documents. The Company has employed control system on the use of assets and segregate duties between operators, controllers, and evaluators. Internal control has been applied to financial system in order to determine authority levels in approval of financial transactions.

The Company has set up an internal audit department to perform internal audit duty, which emphasizes on risks management and business operation. The internal audit department has objectives to create efficiency in business operation and ensure the Audit Committee and executives that the Company has reliable system in generating important information. The internal auditor also has responsibilities to monitor the use of the Company's assets and assess the internal control systems to ensure that the Company has implemented appropriate internal controls and the employees have performed their duties according to the stated internal control systems

In the Board of Directors meeting No.3/2019 on September 28, 2019, the Company's directors together with 3 Audit Committees had evaluated the internal control system according to the guidelines of The Committee of Sponsoring Organizations of the Treadway Commission (COSO) revised 2013, by making inquiries

to executives and internal audit department and reviewing the self-assessment form. The Board of Directors has concluded that the Company has a sufficient and appropriate internal control system. The Company has assigned adequate personnel to carry out controlling and auditing duties effectively. There is a supervision of subsidiaries' operations, and mechanism to prevent unauthorized use of the Company's assets by the directors or executives, as well as an appropriate policy for related party transactions. For other related internal control systems, the Board of Directors has considered that the Company has adequate internal controls as well.

Besides assessing the sufficiency of the internal controls, the Audit Committee has also reviewed the financial statements for the year ended July 31, 2019, and has commented that the financial statements has been accurately presented and conformed with generally accepted accounting principles.

Mr. Pojana Asavasontichai, the Company's auditor from Dharmniti Auditing Company Limited, who has audited the Company's financial statements, has also evaluated the effectiveness of the Company's internal controls and found no significant weakness in the Company's internal control system.

# CORPORATE SOCIAL RESPONSIBILITY

The Company realizes the important of Corporate Social Responsibility (CSR), so the Company has set corporate directions and goals toward a good CSR practices by committing to operate the businesses under a good Corporate Governance Principles, with transparency, and abide by laws and regulations. Additionally, the Company devotes to establish good and long-term relationships with customers, avoids violation of human rights, workers' rights, and intellectual property rights, as well as promotes anti-corruption values. The Company strongly believes that maintaining good relationships with all stakeholders is a significant foundation toward a sustainable growth. In order to implement the CSR campaign effectively, the Company has defined CSR policies and activities as follows:





## Implementation of Corporate Social Responsibility in Business Processes

### ➤ CSR implementation on environment and safety aspects

» The Company concerns about safety standard for both the Company's personnel and outside contractors who have to work in the Company. The Company has adjusted working environment in order to reduce accidents, also set a safety policy and created a goal to reduce accidents and injuries, which must not exceed 10 accidents per year and announced this policy and objective to all employees and contractors.

» The Company arranges safety training for new employees and assigns supervisors or group leaders to evaluate risks associated with their duties in order to determine solutions to correct these risks and safety issues. In addition, the Company also provides personal safety equipment for every employee that suitable to their tasks.

» The Company's businesses are environmental friendly, since they produce no harmful waste and do not use any chemicals in the production processes. Therefore, the Company can assure that the operating processes will not negatively affect the surrounded environment.

» The Company adopts the philosophy of "Maximize benefits with highest efficiency" to motivate and cultivate the employees to conserve energy and use resources wisely and efficiently and arranges a course to educate the employees about environment and effects on the environment. The Company also promotes energy and resource saving activities including uses both sides of paper, turns off and unplugs electric appliances after use, turns off air conditions at least 10 minutes before lunch break and before leaving the office in the evening, as well as tightly closes water faucet and water valves on

the long holidays. Furthermore, the philosophy of "Maximize benefits with highest efficiency" has also been used as a criterion in evaluating the executives and employees' performances.

### ➤ CSR implementation on social aspect

» Personnel development and concerns of human rights

Personnel is one of key factors for corporate's success, therefore the Company emphasizes to develop the employees skills and respect their human rights by implementing the following activities.

#### ▪ Employee Development

The Group's employee development policy aims to improve knowledge and abilities of employees in both technical and professional skills. Employee development will not only enhance employees' abilities but also help the Company to retain talented personnel to work for the Company for the long run as well as provide career advancement for the employees. In the past years, the Company has conducted training programs as follows:

1. Arranges in house training, which is the training designed for the newcomers, who will be trained by experienced personnel in each particular department.
2. Arranges outside training on a regular basis, which focuses on specific knowledge and technical skills that suit the tasks in each particular department such as computer training, production technology training, etc.

The Group's has set up a knowledge exchange project called "Learning and Teaching Organization Program". In this project, the experienced employees in each function will act as teachers to communicate their experiences and knowledge to students who are the employees from other functions. This project will

facilitate the employees to understand the operation of other departments, and also help in developing additional skills, as well as promote good working relationship and enhance effectiveness of internal communication.

■ Fair treatment of employees

Apart from basic salary that the employees will received from their operations, the Company has also arranged other welfare and benefits as additional incentives for the employees. Moreover, the Company manages to increase the employees' compensations every year by using criteria based on monthly performance evaluation. The amounts of increased compensations are determined every year according to the Company's policy, which has to be corresponded with situations and economic conditions.

►► Responsibility towards customers

The Company has established good and long-term relationships with every group of customers by providing exceptional services based on the Company's principle of "Our services start before we sell". The Company approaches customers to give advices and receive products requirements, then collaboratively develop the products that truly meet the requirements of the customers.

►► Fair business practices

The Company has a policy to respect intellectual property and copyrights by avoiding and not supporting any actions that appear to violate the copyrights and intellectual property rights of other entities, which reflects the Company's intention of fair business practices. The Company respects and obeys the intellectual property laws and regulations by using only legal information technology and software.

### Collaboration in developing community and society

The Company recognizes the importance of community and social development, in conjunction with the operations of the Company. During the past year, the Company has organized community and society development activities as follows:

1. Awards annual scholarship to children in the community, who have good educational performances and good behaviors.

2. Supports the Cooperative Education Programs of several universities. For the Cooperative Education Program, the students have to apply for practical training with the Company, and to complete the training, the students have to submit work related projects to the universities. The Company has supported the projects by arranging area, allocating resources and equipment, providing guidance and advices, and funding the projects to help the students to accomplish their tasks.

3. Restores public roads in the community where the Company situated for the convenience and safety of the community.

4. Dredge waterway in the community prior to rainy season to help drain excess water and prevent flood.

## ANTI-CORRUPTION POLICY

The Company is committed to conducting business with transparency and within legal framework, ethical principles, and guidelines of good Corporate Governance, as well as supporting the fight against fraud and corruption in all forms. The Company is well aware that fraud and corruption can create adverse effects to the development of economy, society, and national security. The Company determines to operate the businesses with honesty and integrity and in accordance with laws and regulations, which applies to all business activities and decisions. The core value of anti-corruption has been established and communicated to all staffs, which help cultivating and creating the sense of anti-corruption among the employees. The Company strictly prohibits the employees or their representatives to give or receive bribes or other incentives in any forms, to or from other parties. Besides giving and accepting bribes are considered as a crime and illegal, the Company has also imposed penalties in case of the violation. Also, the Board of Director had a resolution for the Company to join Thailand's Private Sector Collective Action Coalition Against Corruption (CAC), which currently is in the process of preparing self assessment documents and supporting documents to get certified from the CAC. At present, the Company has already been a member of "Partnership Against Corruption for Thailand" (PACT).

## REPORT OF THE AUDIT COMMITTEE

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

During the year 2018/2019, the Audit Committee had performed their duties independently and held 4 meetings with Internal Audit Manager in order to consider several relevant issues as follows;

1) Reviewed the Company's financial statements and consolidated financial statements on quarterly basis and financial statements for the year 2018/2019 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) Evaluated suitability and efficiency of the Company's internal control systems and internal audit procedures, 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 systems and internal audit procedures were appropriate, adequate, and efficient.

3) Monitored the Company to operate according to the Securities and Exchange Act, The Stock Exchange of Thailand's rules and regulations, and the applicable laws. Base on their reviews, the Company had properly operated according to the relevant laws and regulations.

4) Considered and selected the Company's auditors and proposed a nomination of Dharmniti Auditing Company Limited to be the Company's auditor for the year 2019/2020 and reviewed its relevant remuneration. The Audit Committee also held the meeting with the Auditor in order to be informed of the Auditor's opinions regarding the Company's internal control as well as financial statements.

5) Reviewed the connected transactions between the Company and its subsidiaries and related parties. Based on the reviews, the connected transactions were correctly and adequately disclosed. Also business terms and conditions were appropriate and benefited the Company.

6) 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 addition, the Audit Committee also reviewed and assessed the operation of the Company's internal audit department, which the Audit Committee considered as appropriate and consistent with the proposed auditing plan.

7) Evaluated the Company's Corporate Governance policy by considering and reviewing the implementation of the Corporate Governance Code for listed companies 2017, to be adapted to suit the Company's business operations. The Audit Committee also reviewed and evaluated the Company's Anti-Corruption and Corporate Social Responsibility policies.

8) Conducted the Audit Committee meetings for 4 times during the year 2018/2019, which attendance detail of each committee could be presented as follows;

1. Mr. Anutara Tantraporn	Chairman of the Audit Committee	Attended 4 times (4/4)
2. Mr. Pattarathon Thatsanasuwan	Audit Committee	Attended 4 times (4/4)
3. Mr. Harirak Chamarakula	Audit Committee	Attended 4 times (4/4)

In conclusion, during the year 2018/2019, the Audit Committee had employed their knowledge, competencies, and performed their duties independently and with due care to review information regarding financial reports and internal audits. The Audit Committee also encouraged the Company to perform its operation in accordance with Corporate Governance Policy and to employ suitable internal control systems by considering benefits of all stakeholders and the social as a whole. Additionally, the Audit Committee had given the management team valuable advices and suggestion regarding risk management and internal control systems in order to help fostering the Company's future business plans, as well as prevention and possible solutions for the Company's relevant risk factors.

Mr. Anutara Tantraporn  
Chairman of the Audit Committee

## RELATED PARTY TRANSACTIONS

### 1. SIAM C.T.P. INDUSTRIAL COMPANY LIMITED

Type of Business Manufacturing and sales of metal automotive accessories.

Address 88 Moo 4 Bypass Road, Nongmaidaeng, Muang, Chonburi, 20000.

Relationship

- Phongratanadechachai family is the major shareholders of Siam C.T.P. Industrial Co., Ltd. with 100% proportion of total share.
- Mrs. Kheng Phongratanadechachai and Mr. Bundit Phongratanadechachai, the major shareholders of the Company, are the directors of Siam C.T.P. Industrial Co., Ltd.

Transaction Details

City Steel Products Co., Ltd. has purchased 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.

Transaction Amounts Year 2018/2019 amount THB 0.96 million

Year 2017/2018 amount THB 0.89 million

Audit Committee's Opinion and Necessity and Appropriateness of the Related Party Transactions

These transactions were appropriately and fairly determined in both commercial terms and pricing policy, and generate benefits to the Company.

### 2. WKP ASSET PLUS COMPANY LIMITED

Type of Business Property Development.

Address 88/8 Moo 4 Bypass Road, Nongmaidaeng, Muang, Chonburi, 20000.

Relationship

- Phongratanadechachai family is the major shareholders of WKP Asset Plus Co., Ltd. with 100% proportion of total shares.
- Mr. Komgrich Phongratanadechachai and Miss Suputra Phongratanadechachai, the major shareholders of the Company, are the directors of WKP Asset Plus Co., Ltd.
- WKP Asset Plus Co., Ltd. is the parent company of the Company, holds 166.5 million shares, accounted for 55.50% of the Company's registered capital.

The Company and subsidiaries have rented factories and office buildings from WKP Asset Plus Co., Ltd. at the rental rates that similar to market price of other properties in the same area. Details of related party transactions between WKP Asset Plus Co., Ltd. and the Company and subsidiaries were presented as follows:

## (1) THE COMPANY

### Transaction Details

The Company has rented office building with total area of 576 square meters. Rental period is 3 years from August 1, 2016 to July 31, 2019.

<u>Transaction Amounts</u>	Year 2018/2019	amount	THB 0.04 million
	Year 2017/2018	amount	THB 0.04 million

## (2) SIAM ISO PRO COMPANY LIMITED

### Transaction Details

Siam ISO Pro Co., Ltd. has rented office building with total area of 96 square meters. Rental period is 3 years from August 1, 2016 to July 31, 2019.

<u>Transaction Amounts</u>	Year 2018/2019	amount	THB 0.01 million
	Year 2017/2018	amount	THB 0.01 million

## (3) MARK WORLDWIDE COMPANY LIMITED

### Transaction Details

Mark Worldwide Co., Ltd. has rented office building and factory (Branch 1) with total area of 1,680 square meters. Rental period is 1 year and 6 months from August 1, 2016 to January 31, 2018.

<u>Transaction Amounts</u>	Year 2018/2019	amount	-
	Year 2017/2018	amount	THB 0.05 million

## (4) CITY STEEL PRODUCTS COMPANY LIMITED

### Transaction Details

City Steel Products Co., Ltd. has rented a factory with total area of 8,208 square meters. Rental period is 2 years and 9 months from November 1, 2016 to July 31, 2019.

<u>Transaction Amounts</u>	Year 2018/2019	amount	THB 0.49 million
	Year 2017/2018	amount	THB 0.49 million

### Audit Committee's Opinion and Necessity and Appropriateness of the Related Party Transactions

These transactions were appropriately and fairly determined in both commercial terms and pricing policy, and generate benefits to the Company.



## MEASUREMENT OR PROCEDURE FOR THE APPROVAL OF CONNECTED TRANSACTION

The Company has set up policies concerning related transactions with persons who may have conflicts of interests by classified into 2 categories as follows:

1) Related transactions on the normal cause of business are transactions that occurred regularly under the common commercial terms, which will be done at fair value and reasonable price, and should be verifiable and generate benefits for the Company. For this type of related transactions, the Audit Committee allows the Company to do without prior approval. However, the internal auditor must summarize all the related transactions and report to the Audit Committee for consideration every quarter.

2) Related transactions outside normal business practices are transactions that occurred occasionally. The Company will ask the Audit Committee to review and provide opinions on the appropriateness of such transactions in term of necessity and price. In case that Audit Committee has no experiences or expertise on any connected transactions, the Company would seek independent counselor or authorized auditor to give the opinion on such transactions and propose to the Board of Directors or shareholders' meeting as deemed necessary. In the voting process, the persons who may have conflict of interest shall not have the rights to vote for those particular transactions. The Company shall disclose the connected transactions in the note to audited financial statements.

## POLICY AND FUTURE TREND OF CONNECTED TRANSACTION

In the future, the Company may have connected transactions if it is 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 present in the annual report as well.

In order to comply with the Securities and Exchange Act (No.4) B.E.2551 which effective on August 31, 2008, the Company has proposed for approval of the principles of connected transaction from the Board of Directors. The connected transactions include the 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. The Board of Directors has allowed the management to approve the transactions if such transactions meet the terms and conditions of the principles that have already been approved by the Board of Directors.

# MANAGEMENT DISCUSSION AND ANALYSIS

## OPERATING RESULTS AND FINANCIAL POSITION ANALYSIS

### OPERATING RESULTS

#### ➤ Operating Results Overviews

The Group's revenues primarily derived from the manufacturing and sales of metal products and can be classified by characteristics and usages of the products into 2 categories; 1) Metal Structures, Storage Systems and Material Handling Equipment, and Other Metal Products and 2) Metal Parts and Fabricated Metal Products as well as One-Stop Steel Processing Services. The Group also generated some revenues from sales of Industrial Materials and Equipment used in factories.

In the last 3 years, the Group's total revenues were THB 389.20 million, THB 395.81 million, and THB 394.03 million in the year 2016/2017, 2017/2018, and 2018/2019, respectively. Total revenues increased by 1.70% in 2017/2018 and decreased by 0.45% in 2018/2019. For the year 2018/2019, the Group's total revenues slightly decreased by THB 1.78 million. During the second half of the fiscal year, total revenues had considerably decreased from the same period of the previous year however the increase in total revenues during the first half of the year had helped the total revenues for the entire year to just slightly decreased from the previous year.

Although the Group's total revenues had grown during the first half of the fiscal year due to an increase in orders from customers at the end of the year, it was just a short-term effect. As investment in the industrial sector still contracted, competition became more intense, the Group had to adjust to the situation by lowering gross profit margin and selling price to increase sales volumes and retain customers. Also, the impacts of the trade war between China and the United State had caused the

expansion of the overall global and domestic economies to shrink. The investment in the manufacturing sector and demand for the Group's products had lessened. As a result, the Group's total revenues for the late 6 months of the fiscal year or revenues from the beginning to the mid of the year had substantially declined. Besides the decrease in the total revenues, the appreciation of Thai Baht had caused the Group to have a considerable loss on the exchange rate. The expiration of tax exemption privilege from BOI promoted activities also drove the corporate income tax to increase. Consequently, the Group's net profits had decreased from the previous year.

The Group's expenses consisted of the followings:

» Cost of sales and services were THB 267.27 million, THB 301.36 million, and THB 308.21 million in 2016/2017, 2017/2018, and 2018/2019, attributable to 68.67%, 76.14%, and 78.22% of total revenues.

» Selling expenses were THB 6.99 million in 2016/2017, THB 8.49 million in 2017/2018, and THB 6.91 million in 2018/2019, equaled to 1.80%, 2.14%, and 1.75% of total revenues respectively.

» Administrative expenses were THB 54.05 million, THB 52.54 million, and THB 62.31 million which equaled to 13.89%, 13.27%, and 15.81% of total revenues in 2016/2017, 2017/2018, and 2018/2019.

» Director and management remuneration were THB 3.12 million, THB 2.92 million, and THB 3.04 million in 2016/2017, 2017/2018, and 2018/2019 which equaled to 0.80%, 0.74%, and 0.77% of total revenues

» Net incomes for the accounting period 2016/2017, 2017/2018, and 2018/2019 were THB 56.78 million,

THB 30.12 million, and THB 9.90 million accounted for 14.59%, 7.61%, and 2.52% of total revenues.

#### ➤ Revenues

The Group's total revenues for the last three years classified by products characteristics and usages were as follows:

» Revenues from manufacturing and sales of Metal Structures, Storage Systems and Material Handling Equipment, and Other Metal Products made up the highest portion of total revenues compared to revenues from other categories, which equaled to 90.73%, 94.73%, and 94.41% of total revenues in 2016/2017, 2017/2018, and 2018/2019. The portion of revenues from this category had been increasing since the Group's had focused to sell more of these products as they had higher value added and lesser price competition compared to the fabricated metal products. But it was a tradeoff for more complex and more complicated production processes.

» Revenues from manufacturing and sales of Metal Parts and Fabricated Metal Products accounted for 6.84%, 2.52%, and 3.00% of total revenues in 2016/2017, 2017/2018, and 2018/2019. During the past 3 years, the revenues from this category had declined substantially, mainly due to an intense price competition as there were so many players in the market ranging from small, medium, to large businesses. The barriers to entry and initial investment needed to start the business had dropped significantly from the past, allowing many small manufacturers to enter the market. While medium and large corporation who used to be just wholesalers, had added the production processes, fabricated into metal parts, and sold directly to the end users. In addition, the main group of customers who purchased this product were small and medium-sized companies, who recently

affected by economic slowdown. As the Group had tighten the trade credit policy, the proportion of sales to these customers had reduced.

» Revenues from sales of Industrial Materials and Equipment. During the past 3 years, the Group had no revenue from this product category as the economic condition was not suitable for marketing and selling of this product..

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 THB 20.26 million, THB 29.71 million, and THB 11.91 million or equaled to 5.33%, 7.72%, and 3.10% of total revenues in 2016/2017, 2017/2018, and 2018/2019.

During the year 2017/2018, the domestic economy was likely to improve, manufacturing of industrial sectors had recovered. But the recovery was mainly in the exporting sector while in other sectors the recovery was still low. Since domestic consumption was not yet growing, private investment was also not expanding especially in the first half of the year 2017/2018, which caused the Group's total revenues to decrease significantly from the same period of the previous year. However, in the second half of the year, the investment in manufacturing began to expand in some sectors such as the automotive and electronics sectors. The expansion in investment along with a reduction in selling price and gross profit margin had helped the Group to be able to produce and sell more products. Sales revenues in the second half of the year had improved a lot and offset the decline in revenues in the first half. As a result, the

Group's total revenues for the year slightly increased by THB 6.61 million from THB 389.20 million in 2016/2017 to THB 395.81 million or 1.70%.

For the year 2018/2019, in the first half of the fiscal year, the Group was able to gain positive impacts from the expansion of the industrial and manufacturing sectors especially at the end of the year when many companies spent more on their investment budgets. The national election news also contributed to an improvement in the investment atmosphere. However, in the second half of the accounting period, the escalation of the trade war between China and the United States and the uncertainty of Brexit had influenced the global and domestic economy to expand below expectation and targets. Also, the delay in the government formation had deteriorated the confidence of the private sectors to further expand their investment. The government economic stimulus by issuing the state welfare card only helped accelerated consumption and maintained purchasing power of the foundation economies and rarely contributed positive impacts to the industrial sector. These factors had affected the customers' orders to reduce significantly and caused the Group's total revenues in the second half of the fiscal year to decline. Anyway, as the revenues in the first half had improved, the revenues for the entire year were comparable to the previous year with a slight decrease from THB 395.81 million in the year 2017/2018 to THB 394.03 million by THB 1.78 million or equal to 0.45%.

➤ Cost of Sales and Services and Gross Profits

The Group's cost of sales and services comprised of cost of raw materials and factory supplies, cost of merchandised products, labor cost, and overheads that included depreciation of plants, machines, tools, and equipment used in production. For the year 2018/2019,

cost of sales and services were THB 308.21 million increased by THB 6.85 million or 2.27% from THB 301.36 million in 2017/2018 owing to an increase in material costs and labor costs. The increase in labor costs included the effect of the new Labor Protection Act of adjusting legal severance pay for the employee who had a continual working period of more than 20 years from 300 days to 400 days, which became effective since April 2019.

According to the increase in cost of sales for the year 2018/2019, the proportion of cost of sales and services to total revenues was 78.22%, increased from the 76.14% in 2017/2018.

In recent year, purchasing power of the customers and demand for the products were declining, resulted in a severe competition and the customers had gained more bargaining power. The customers needed products at lower prices and times to delivery had to be faster, whereas order quantities were smaller and types or patterns of products became more diverse. These factors together with the increase in material and labor costs, negatively affected the Group's gross profits. The gross profits for the year 2018/2019 were THB 75.60 million decreased from THB 83.56 million in the year 2017/2018 by THB 7.96 million or 9.53% and gross profit margin also decrease from 21.71% in the year 2017/2018 to 19.70% in the year 2018/2019.

➤ Selling and Administrative Expenses and Finance Cost

In the year 2018/2019, the Group's selling expenses were THB 6.91 million with the proportion to total revenues of 1.75%, decreased from the selling expenses in the year 2017/2018 that had expenses of THB 8.49 million and the proportion to total revenues of 2.14%. The decrease in selling expenses arose from a decrease in transportation

and shipping expenses, which corresponded to a drop of export revenues.

For the administrative expenses, the Group had spent THB 62.31 million in the year 2018/2019 materially increased by 18.60% or THB 9.77 million from THB 52.54 million in 2017/2018. The loss on exchange rate from the appreciation of Thai Baht and the adjustment of the legal severance pay for the employee who had a continual working period of more than 20 years from 300 days to 400 days, had caused the increase in administrative expenses. The director and management remuneration marginally increased from THB 2.92 million in 2017/2018 to THB 3.04 million in 2018/2019 from the annual raise of salaries and compensations.

In the year 2017/2018 and 2018/2019, the Group incurred a finance costs which related to the discounted interests on the obligations of employee benefits according to Thai Accounting Standard 19 (TAS 19). The finance costs for the year 2017/2018 and 2018/2019 were THB 0.19 million and THB 0.27 million, respectively. The increase in finance costs in 2018/2019 was due to the changes in legal severance pay according to the new Labor Protection Act. Since the Group utilized funds from shareholder's equity and retained earnings from operation to use as working capital and invest in expansion of production capacities, the Group did not have short-term or long-term loans from financial institutions and other sources of funds. Therefore, the Group did not incur any interest expenses.

➤ Net Profits

The Group's net profits for the period 2016/2017, 2017/2018, and 2018/2019 were THB 56.78 million, THB 30.12 million, and THB 9.90 million, respectively. The net profits decreased by 46.96% in 2017/2018, and decreased by 67.14% in 2018/2019. The decrease in net profits for the

year 2018/2019 mainly resulted from decreases in gross profits and gross profit margin as the Group had to lower the selling prices in order to be able to compete and maintain customers. The other factors also included the increase in production costs from the modification and adjustment of production processes to fulfil various requirements of the customers and the increases in material and labor costs. In addition, during the year 2018/2019, the Group had endured a loss on exchange rate from an extremely strong Thai Baht as well as an increase in corporate income tax from the expiration of tax exemption privileges from BOI promoted activities. These circumstances had caused the Group's net profit margin to drop from 7.61% in the year 2017/2018 to 2.52% in the year 2018/2019.

## FINANCIAL POSITION

➤ Assets

As at July 31, 2019 the Group's total assets were THB 1,358.06 million, primarily consisted of properties, plants, and equipment and cash and cash equivalent. Property, plants, and equipment accounted for THB 279.68 million or 20.59% of total assets. Major parts of properties, plants, and equipment were investment in factories, office buildings, and machines of subsidiaries. Cash and cash equivalents amounted to THB 760.94 million accounted for 56.03% of total assets. The Group's cash and cash equivalents were relatively high as 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 to maintain liquidity during economic recession and reserved for the Group's future investment.

In the year 2018/2019, the Group's total assets decreased by THB 11.91 million or 0.87% compared to the period 2017/2018 that as at July 31, 2018 had a value of THB 1,369.97 million. The decrease in total assets mainly due to a decrease in property, plants, and equipment items after deducted depreciation expenses as well as a decrease in accounts receivable from a decline in sales revenues during the end of the year 2018/2019.

➤ Quality of Assets

» Trade Accounts Receivable - Net

The Group uses several criteria when granting a line of credit to customers, including 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 30% to 40% of the project amounts. Normally, the Group grants credit term of 30 days for general customers and credit term of 30 - 120 days for major customers who have long-term relationship with the Group.

As at July 31, 2018 the Group's outstanding trade accounts receivables were THB 70.22 million, and as at July 31, 2019 were THB 63.41 million decreased by THB 6.81 million or equal to 9.70%. Most of the outstanding balances of trade accounts receivables were not yet due and less than 3 months overdue.

The trade account receivables aging schedules as at July 31, 2018 and 2019 were presented as follows:

(Unit : THB Thousand)

Trade Accounts Receivable	As At July 31, 2018	As At July 31, 2019
Current receivables	62,712	56,066
Past due less than 3 months	7,509	7,342
Less: Allowance for doubtful accounts	-	-
Trade accounts receivable - net	70,221	63,408

For the year 2017/2018 and 2018/2019, all the trade accounts receivable was not yet due and less than 3 months overdue. The overdue accounts receivable was resulted from the customers' billing and payment policies that set the payment dates after the actual due dates.

» Inventory

All the Group's inventory was raw materials as the Group adopted just-in-time strategy and would deliver products right away after finished. The Group did not have policy to keep raw materials for speculative purpose so the inventory balance of 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 July 31, 2019, the Group's inventory balance was THB 2.04 million slightly increased from the balance as at July 31, 2018 of THB 1.85 million by THB 0.19 million or 10.27%. The inventory level was relatively low since the Group would only purchase raw materials at the quantities needed to use in production processes in order to manage costs of raw materials and reduce warehousing cost.

The Group's inventory balances as at July 31, 2018 and July 31, 2019 were presented below:

(Unit : THB Thousand)

Inventory	As At July 31, 2018	As At July 31, 2019
Work in process	-	-
Raw materials and supplies	1,849	2,041
<b>Total Inventory</b>	<b>1,849</b>	<b>2,041</b>

The Group did not set provision for allowance from declining in value of inventory since all of the products were custom-made products that would be delivered to the customers once the products finished. Also, raw materials and supplies were made of metal that rarely decline in economic value, so it was considered that there was no decline in value of inventory.

#### ► Unused Assets

The Group has unused assets that was investment property of plots of land of Siam ISO Pro Co., Ltd. which currently have not been used in business operation and their usage purposes have not yet been identified. As at July 31, 2019 the book value of investment property was THB 88.10 million. The Group had hired independent appraiser to assess these plots of land by using market approach method, the fair value of these land was THB 118.78 million.

#### ► Liquidity

For the period 2018/2019 the Group's net cash flows from operating activities were THB 59.30 million, reduced by THB 9.77 million or 14.14% compared to the year 2017/2018 that had operating cash flows of THB 69.07 million. A decline in cash flows from operating activities was mainly due to a drop in incomes before tax

The Group's liquidity ratios equaled to 92.03 times, 46.18 times, and 46.15 times and quick ratios equaled to 91.46 times, 45.97 times, and 45.92 times in 2016/2017, 2017/2018, and 2018/2019, respectively. According to these numbers, the Group's liquidity was financially sound. The Group had strong financial position and did not have any liquidity problems

Since the Group had high liquidity, the Group purchased 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 11.59 days in 2017/2018 and 16.25 days in 2018/2019. For average age of inventory, the Group's average age of inventory in 2018/2019 equaled to 2.27 days, closes to 2.92 days in 2017/2018 as a results of a relatively low inventory level. The Group's average collection period increased from 59.96 days in 2017/2018 to 62.67 days in 2018/2019. The Group's average collection period

tended to increase as many large-sized customers had requested to extend the credit terms from around 30 days to 90-120 days. And the tendency that the large-scale customers would ask to extend their credit terms had kept increasing.

In the year 2018/2019, the Group's cash flows used in investing activities was THB 11.63 million, which was used to invest in short-term investment and purchase of fixed assets.

The Group's net cash flows used in financing activities for the year 2018/2019 were THB 12.00 million, which was the amounts of annual dividend payment to the shareholders

#### ➤ Suitability of Capital Structures

As at July 31, 2019, shareholders' equity of the Group was THB 1,327.59 million decreased from July 31, 2018 that had shareholders' equity amount of THB 1,342.81 million by THB 15.22 million or equal to 1.13%. A decrease in shareholders' equity was mainly due to a decrease in currency translation differences that caused by the strong appreciation of Thai Baht. The Group's debt to equity ratios were considerably low, equaled to 0.02 times both in 2017/2018 and 2018/2019 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 trade accounts payable in cash in order to get cash discounts, the current liabilities of the group were relatively low.

#### ➤ Liabilities

Almost all of the Group's liabilities were current liabilities that consisted of trade accounts payable, advances received for goods, corporate income tax

payable, and other current liabilities that including accrued expenses in normal business operation. In the year 2018/2019, the Group's current liabilities were THB 21.36 million increased by THB 0.75 million from THB 20.61 million in the year 2017/2018 due to the increase in corporate income tax payable.

The sources of funds for business expansion derived from internal sources. Therefore, The Group did not have any long term loans from external sources or short term borrowings from any financial institution. However, during the year 2017/2018 and 2018/2019, the Group did have non-current liabilities that consisted of deferred tax liabilities and employee benefits obligation of THB 6.55 million and THB 9.11 million, respectively. During the year 2018/2019, the employee benefits obligation had increased as a result of the change in legal severance pay for employees who had a continual working period of more than 20 years from 300 days to 400 days according to the new Labor Protection Act.

### **FACTORS OR EVENTS THAT MAY AFFECTS FUTURE FINANCIAL POSITION AND OPERATING RESULTS**

As the Group's major products including Metal Structures, Storage Systems and Material Handling Equipment are capital goods, demands for these products will be arisen only when customers expand their businesses, increase production capacities, or change production processes. Therefore, the Group's operating results will fundamentally rely on the expansion of the customers and overall economy. If the economy is on an upward trend, the Group's operating results will be enhanced in relation to the growing economy. On the other hand, if the economy shrinks or slows down, the Group's business will be adversely affected accordingly. The Group has closely monitored economic situation and several factors that might have impacts on the economy



in order to adapt business strategies to cope with the recent situations.

Additionally, fluctuation of steel price is also one of the factors that have influences on the Group's operating results since the main materials used in manufacturing the Group's products are steel and metal, which accounted for 47.89% of cost of goods sold in the year 2018/2019. As the Group adopts cost-plus pricing policy to calculate the selling price, if the steel price goes up, cost of sales will increase and subsequently drive up the sales revenues. Contrary, if the steel price decreases, cost of sales and revenues will decline correspondingly. Therefore, the Group has to regularly observe the trend of steel price along with other related factors including economic condition, domestic and global demands and supplies of steel, government policies regarding import duty and anti-dumping, temporarily stop production of domestic steel manufacturers, and unpredictable natural disasters in order to assess situation and adapt business policies to respond with the particular situation.

Changes in business models and consumer behaviors that focus on service sector rather than manufacturing sector, will cause a decline in investment of industrial sector. In addition, an advance in new technology that become more complicated and provide more abilities, may also contribute to a decrease in

investment in fixed assets including machinery and equipment. Once investment decrease, demands for the capital goods will decrease correspondingly, resulted in a severe competition in term of price competition and response on the customer requirements. This situation will affect the revenues, causing the revenues to decrease and at the same time drive up the production costs, which finally will cause the net profits to drop.

In addition, labor is also another variable that needed to be considered. Since Thailand has entered the aging society, working-age populations have started to decline. It is getting harder to recruit new workers with suitable skills. The wage rate continues increasing while the quality of workforce is not relatively improving. These issues are the important factors that may affect the Group's operating results in the future. The Group will thoroughly observe the situation and try to adjust business strategies according to the future circumstances.

## AUDITOR REMUNERATION

### ➤ Audit Fees

During the year 2018/2019, the Company and subsidiaries paid audit fees to Dharmniti Auditing Company Limited, the Company's auditor at the amount of THB 1,292,000.

## REPORT OF THE BOARD OF DIRECTOR'S RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation and presentation of the Company's financial statements and consolidated financial statements of the Company and subsidiaries, which have been prepared in accordance with financial reporting standards and in conformity with the generally accepted accounting principles. The Board of Directors has chosen appropriate accounting policies and carried out these policies with consistency as well as adequately disclosed significant information in the notes to financial statements. The Company's external auditor has reviewed and audited the financial statements and expressed an unqualified opinion in the auditor's report.

The Board of Directors also has responsibilities in monitoring risk management and internal control systems to ensure that accounting transactions have been recorded accurately, completely, and on timely basis. Also, the Board of Directors has appointed an Audit Committee consisting of independent directors, to take care of the quality of the financial statements and the internal control systems in order to ensure that the financial statements are free from material misstatement, whether due to fraud or error. The Audit Committee's opinion on internal control systems has been disclosed in the Report of the Audit Committee, which is part of this annual report.

The Board of Directors is confident that the Company's internal control systems are appropriate, which can assure that the Company's financial statements and the consolidated financial statements of the Company and subsidiaries fairly represent the financial positions, operating results, and cash flows in all material aspects.

Mr. Charoenpong Ongwongsakul

Chairman of the Board of Directors



# INDEPENDENT AUDITOR'S REPORT

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

## Opinion

I have audited the consolidated financial statements of City Steel Public Company Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at July 31, 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and I have audited the separate financial statements of City Steel Public Company Limited (the Company), which comprise the statement of financial position as at July 31, 2019, and the statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of City Steel Public Company Limited and its subsidiaries as at July 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended and the separate financial position of City Steel Public Company Limited as at July 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

## Basis for Opinion

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

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## Key Audit Matters

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

- **Decline in value of assets**

The group had stable total revenues from operation, but the total profit for the year dropped significantly due to the decline in the volume of purchase orders and intense price competition. As a result, the group has to reduce the gross profit margin to maintain the revenue. In addition, the majority of products of the group are capital goods such as metal structure, rack and shelf, and storage and handling equipment so the need in this type of products will arise when there is a new investment, factory expansion or increase in production capacity. With long useful life and infrequent order for products, partial of the group's assets that including building, machinery and equipment may not be utilized or utilized not to their full capacities. There may be an indication of asset impairment. The management has to use judgment in considering the impairment of the such assets above. The group's assets has value in the consolidated financial statements at Baht 192.08 million (Note 14) which is a significant balance to the group's consolidated financial statements. Therefore, I have identified that the impairment of building, machinery and equipment is a matter which I paid attention in the audit.

Regarding my response on the matter above, I assessed the use of management estimate in considering the impairment of building, machinery and equipment, studied about the assessment of the recovery value, management plan, the future operation estimate prepared by the management and tested by recalculating whether the assets have any impairment and assessed the adequacy of the information disclosure under the financial reporting standards.

From the response above, it was found that the values of building, machinery and equipment are shown appropriately and information is adequately disclosed in the notes to the financial statements.

## Other Information

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

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

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

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

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

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

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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- Identify and assess the risks of material misstatement of the consolidated financial statements and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated financial statements and separate financial statements or, if such disclosures are inadequate, to modify our opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and separate financial statements, including the disclosures, and whether the consolidated financial statements and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

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

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

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

The engagement partner responsible for the audit resulting in this independent auditor's reports is Mr.Pojana Asvasontichai.



(Mr. Pojana Asvasontichai)

Certified Public Accountant

Registration No. 4891

Dharmniti Auditing Company Limited

Bangkok, Thailand

September 28, 2019

# THE STATEMENTS OF FINANCIAL POSITION

CITY STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

AS AT JULY 31, 2019

## ASSETS

(Unit : Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2019	2018	2019	2018
CURRENT ASSETS					
Cash and cash equivalents	6	760,936,104	738,175,915	21,151,626	20,444,010
Short-term investment	7	60,000,000	40,000,000	-	-
Investments in available-for-sale securities	8	96,618,966	99,182,503	27,390,959	27,006,501
Trade accounts receivable	9				
Related parties	5	-	-	4,237,361	3,498,076
Other parties		63,408,740	70,221,291	168,728	207,826
		63,408,740	70,221,291	4,406,089	3,705,902
Inventories	10	2,041,125	1,848,823	-	-
Other current assets					
Input tax refundable		2,095,993	635,471	984	-
Others		736,118	1,840,111	138,152	329,925
TOTAL CURRENT ASSETS		985,837,046	951,904,114	53,087,810	51,486,338
NON-CURRENT ASSETS					
Restricted deposits at financial institutions	11	2,546,391	2,527,522	1,927,079	1,910,948
Investments in subsidiaries	12	-	-	776,029,860	776,029,860
Investment property	13	88,100,000	88,100,000	-	-
Property, plant and equipment	14	279,684,507	326,246,076	1,644,689	1,844,598
Intangible assets	15	222	222	211	211
Deferred tax assets	16	1,883,688	1,180,650	692,422	481,749
Other non-current asset		13,000	13,000	-	-
TOTAL NON-CURRENT ASSETS		372,227,808	418,067,470	780,294,261	780,267,366
TOTAL ASSETS		1,358,064,854	1,369,971,584	833,382,071	831,753,704

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



# THE STATEMENTS OF FINANCIAL POSITION (CONT.)

CITY STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

AS AT JULY 31, 2019

## LIABILITIES AND SHAREHOLDERS' EQUITY

(Unit : Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2019	2018	2019	2018
CURRENT LIABILITIES					
Trade accounts payable					
Related parties	5	97,916	100,880	236,232	204,138
Other parties		14,057,824	13,561,036	69,532	10,890
		14,155,740	13,661,916	305,764	215,028
Payable for purchase of assets		-	975,625	-	-
Other current liabilities					
Advance received for goods		1,996,144	3,753,089	-	-
Corporate income tax payable		1,982,474	9,656	-	-
Others		3,225,853	2,213,042	755,009	697,478
TOTAL CURRENT LIABILITIES		21,360,211	20,613,328	1,060,773	912,506
NON-CURRENT LIABILITIES					
Deferred tax liabilities	16	39,816	168,394	-	-
Employee benefit obligations	17	9,073,932	6,376,015	3,494,145	2,415,107
TOTAL NON-CURRENT LIABILITIES		9,113,748	6,544,409	3,494,145	2,415,107
TOTAL LIABILITIES		30,473,959	27,157,737	4,554,918	3,327,613

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

# THE STATEMENTS OF FINANCIAL POSITION (CONT.)

CITY STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

AS AT JULY 31, 2019

## LIABILITIES AND SHAREHOLDERS' EQUITY (CONT.)

(Unit : Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2019	2018	2019	2018
SHAREHOLDERS' EQUITY					
Share capital					
Registered					
300,000,000 ordinary shares of Baht 1 each		300,000,000	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	300,000,000
Premium on ordinary shares		166,145,195	166,145,195	166,145,195	166,145,195
Difference on reorganization of entities					
under common control	2.5	(15,380,000)	(15,380,000)	-	-
Retained earnings					
Appropriated - statutory reserve		30,000,000	30,000,000	30,000,000	30,000,000
Unappropriated		865,548,793	867,652,836	332,656,330	332,275,808
Unrealized gain on remeasuring available-for-sale					
investment	8	828,252	1,051,788	25,628	5,088
Currency translation differences		(19,551,345)	(6,655,972)	-	-
Equity attributable to the equity of parent		1,327,590,895	1,342,813,847	828,827,153	828,426,091
Non-controlling interests		-	-	-	-
TOTAL SHAREHOLDERS' EQUITY		1,327,590,895	1,342,813,847	828,827,153	828,426,091
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,358,064,854	1,369,971,584	833,382,071	831,753,704

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

# THE STATEMENTS OF COMPREHENSIVE INCOME

CITY STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES  
FOR THE YEAR ENDED JULY 31, 2019

(Unit : Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2019	2018	2019	2018
REVENUES					
Sales		383,657,684	384,771,620	3,743,290	1,097,346
Service income		153,500	154,550	131,000	48,000
Management income		-	-	14,292,500	13,892,200
Dividend Income		-	-	12,352,499	24,704,998
Other income		10,220,795	10,887,002	651,388	668,314
Total revenues		394,031,979	395,813,172	31,170,677	40,410,858
EXPENSES					
Cost of sales and services		308,214,030	301,356,232	3,639,518	1,035,079
Selling expenses		6,909,387	8,494,553	44,257	33,294
Administrative expenses		62,314,508	52,537,057	11,883,625	11,462,569
Management benefit expenses		3,036,474	2,924,734	3,036,474	2,924,733
Finance cost		267,409	187,092	102,542	70,571
Total expenses		380,741,808	365,499,668	18,706,416	15,526,246
Profit before income tax		13,290,171	30,313,504	12,464,261	24,884,612
Income tax expenses	16	3,394,506	191,553	84,031	88,157
Profit for the year		9,895,665	30,121,951	12,380,230	24,796,455
Other comprehensive income :					
Item that will not be reclassified to profit or loss					
Actrual losses arising from post-employee					
benefit, net tax		-	(3,551,846)	-	(1,328,785)



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

# THE STATEMENTS OF COMPREHENSIVE INCOME

CITY STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

FOR THE YEAR ENDED JULY 31, 2019

(Unit : Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2019	2018	2019	2018
Item that will be reclassified to profit or loss					
Realized (gain) on sale of investment in available-					
for-sale securities, net tax		(528,753)	(759,462)	(5,088)	(8,771)
Unrealized gain on remeasuring investment in available-					
for-sale securities, net tax		305,217	242,457	25,628	5,088
Currency translation differences		(12,895,373)	(59,845)	-	-
Other comprehensive income (loss) for the year		(13,118,909)	(4,128,696)	20,540	(1,332,468)
Total comprehensive income (loss) for the year		(3,223,244)	25,993,255	12,400,770	23,463,987
Profit attributable to					
Equity holder of parent (99.99%)		9,895,665	30,121,951	12,380,230	24,796,455
Non-controlling interests (0.01%)		-	-	-	-
		9,895,665	30,121,951	12,380,230	24,796,455
Total comprehensive income (loss) attributable to					
Equity holder of parent (99.99%)		(3,223,244)	25,993,255	12,400,770	23,463,987
Non-controlling interests (0.01%)		-	-	-	-
		(3,223,244)	25,993,255	12,400,770	23,463,987
Basic earnings per share of parent company					
Profit for the period (Baht per share)		0.03	0.10	0.04	0.08
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

FOR THE YEAR ENDED JULY 31, 2019

FOR THE YEAR ENDED JULY 31, 2019

	Note	Consolidated financial statements							Non-controlling interests	Total shareholders' equity	
		Equity attributable to the equity holders of parent									
		Issued and paid-up share capital	Share premium	Difference on reorganization of entities under common control	Retained earnings	Appropriated-statutory reserve	Unappropriated	Other component of equity			Currency translation differences of the financial statements of foreign entity
Ending balance, as at July 31, 2017		300,000,000	166,145,195	(15,380,000)	30,000,000	862,082,297	1,568,793	(6,596,127)	1,337,820,158	-	1,337,820,158
Change in shareholders' equity for the year											
Dividend paid	19	-	-	-	-	(20,999,566)	-	-	(20,999,566)	-	(20,999,566)
Total comprehensive income for the year		-	-	-	-	30,121,951	-	-	30,121,951	-	30,121,951
Profit for the year		-	-	-	-	(3,551,846)	-	-	(3,551,846)	-	(3,551,846)
Other comprehensive income, net of income tax		-	-	-	-	-	-	-	-	-	-
Actuarial (losses) arising from post-employee benefit		-	-	-	-	-	-	-	-	-	-
Gain on remeasuring investment in available-for-sale securities		-	-	-	-	-	(517,005)	-	(517,005)	-	(517,005)
Currency translation differences		-	-	-	-	-	-	(59,845)	(59,845)	-	(59,845)
Ending balance, as at July 31, 2018		300,000,000	166,145,195	(15,380,000)	30,000,000	867,652,836	1,051,788	(6,655,972)	1,342,813,847	-	1,342,813,847
Change in shareholders' equity for the year											
Dividend paid	19	-	-	-	-	(11,999,708)	-	-	(11,999,708)	-	(11,999,708)
Total comprehensive income for the year		-	-	-	-	9,895,665	-	-	9,895,665	-	9,895,665
Profit for the year		-	-	-	-	-	-	-	-	-	-
Other comprehensive income, net of income tax		-	-	-	-	-	-	-	-	-	-
Gain on remeasuring investment in available-for-sale securities		-	-	-	-	-	(223,536)	-	(223,536)	-	(223,536)
Currency translation differences		-	-	-	-	-	-	(12,895,373)	(12,895,373)	-	(12,895,373)
Ending balance, as at July 31, 2019		300,000,000	166,145,195	(15,380,000)	30,000,000	865,548,793	828,252	(19,551,345)	1,327,590,895	-	1,327,590,895

(Unit : Baht)

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

# STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONT.)

CITY STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES  
FOR THE YEAR ENDED JULY 31, 2019

	Note	Separate financial statements					(Unit : Baht)
		Issued and paid-up share capital	Share premium	Appropriated-statutory reserve	Retained earnings	Unrealized gain on re-measuring investments in available-for-sale securities, net tax	
Ending balance, as at July 31, 2017		300,000,000	166,145,195	30,000,000	329,807,704	8,771	825,961,670
Change in shareholders' equity for the year							
Dividend paid	19	-	-	-	(20,999,566)	-	(20,999,566)
Total comprehensive income for the year							
Profit for the year		-	-	-	24,796,455	-	24,796,455
Other comprehensive income, net of income tax							
Actuarial (losses) arising from post-employee benefit		-	-	-	(1,328,785)	-	(1,328,785)
Gain on re-measuring investment in available-for-sale securities		-	-	-	-	(3,683)	(3,683)
Ending balance, as at July 31, 2018		300,000,000	166,145,195	30,000,000	332,275,808	5,088	828,426,091
Change in shareholders' equity for the year							
Dividend paid	19	-	-	-	(11,999,708)	-	(11,999,708)
Total comprehensive income for the year							
Profit for the year		-	-	-	12,380,230	-	12,380,230
Other comprehensive income, net of income tax							
Gain on re-measuring investment in available-for-sale securities		-	-	-	-	20,540	20,540
Ending balance, as at July 31, 2019		300,000,000	166,145,195	30,000,000	332,656,330	25,628	828,827,153

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

# STATEMENTS OF CASH FLOWS

CITY STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

FOR THE YEAR ENDED JULY 31, 2019

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
<b>Cash flows from operating activities</b>				
Profit before corporate income tax	13,290,171	30,313,504	12,464,261	24,884,612
Adjustments to reconcile to net cash provided by (used in) operating activities: -				
Depreciation and amortization	50,664,372	54,679,126	199,908	199,908
Gain on sales of investments in available-for-sale securities	(1,715,603)	(2,017,720)	(358,783)	(372,775)
Gain on sales of fixed assets	(19,999)	(329,493)	(19,999)	-
Loss on unclaimed withholding tax	409,742	279,771	308,395	279,771
Dividend income from investment in subsidiary	-	-	(12,352,499)	(24,704,998)
Interest income	(8,470,542)	(7,402,452)	(157,365)	(107,607)
Employee benefit obligations	2,430,508	396,595	976,496	159,661
Finance cost	267,409	187,092	102,542	70,571
Profit from operating activities before changes in operating assets and liabilities	56,856,058	76,106,423	1,162,956	409,143
(Increase) decrease in operating assets				
Trade accounts receivable	6,812,551	(18,635,213)	(700,187)	(68,576)
Inventories	(192,302)	1,192,163	-	-
Other current assets	(563,401)	22,011	1,445	(1,131)
Increase (decrease) in operating liabilities				
Trade accounts payable	493,824	7,927,020	90,736	5,233
Payable for purchase of assets	(975,625)	507,500	-	-
Other current liabilities	(744,133)	2,971,523	57,530	(18,490)
Cash received from (used in) operating activities before corporate income taxes	61,686,972	70,091,427	612,480	326,179
Income taxes paid	(2,400,291)	(1,019,049)	(418,889)	(418,400)
Net cash flows provided by (used in) operating activities	59,286,681	69,072,378	193,591	(92,221)

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

# STATEMENTS OF CASH FLOWS (CONT.)

CITY STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

FOR THE YEAR ENDED JULY 31, 2019

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
<b>Cash flows from investing activities</b>				
(Increase) in deposits restricted at financial institutions	(18,869)	(18,708)	(16,131)	(15,996)
Cash paid from short-term investment	(20,000,000)	(20,000,000)	-	-
Cash paid for purchases of investment in available-for-sale securities	(80,468,945)	(77,425,392)	(27,358,924)	(27,000,141)
Cash receipts from sale of investment in available-for-sale securities	84,468,665	81,926,176	27,358,924	27,000,141
Proceeds from sales of fixed asset	20,000	6,825,000	20,000	-
Cash received for advance - machinery	-	1,000,000	-	-
Cash paid for purchases of fixed assets	(4,102,804)	(8,419,813)	-	-
Dividend income from investment in subsidiary	-	-	12,352,499	24,704,998
Interest received	8,470,542	7,402,452	157,365	107,607
Net cash flows provided by (used in) investing activities	(11,631,411)	(8,710,285)	12,513,733	24,796,609
<b>Cash flows from financing activities</b>				
Dividend paid	(11,999,708)	(20,999,566)	(11,999,708)	(20,999,566)
Net cash flows provided by (used in) financing activities	(11,999,708)	(20,999,566)	(11,999,708)	(20,999,566)
Currency translation differences	(12,895,373)	(59,845)	-	-
Net increase (decrease) in cash and cash equivalents	22,760,189	39,302,682	707,616	3,704,822
Cash and cash equivalents at beginning of the years	738,175,915	698,873,233	20,444,010	16,739,188
Cash and cash equivalents at end of the years	760,936,104	738,175,915	21,151,626	20,444,010
<b>Supplemental cash flows information: -</b>				
Cash and cash equivalents consisted of: -				
Cash on hand	564,186	586,881	21,068	25,728
Cash at bank - Saving account	602,447,861	729,299,662	5,352,916	12,407,036
- Current account	157,912,974	8,278,376	15,766,559	8,000,250
- Fixed deposit 3 months	11,083	10,996	11,083	10,996
	760,936,104	738,175,915	21,151,626	20,444,010

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



# NOTES TO FINANCIAL STATEMENTS

## CITY STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

JULY 31, 2019

### 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, Tambol Nongmaidaeng, 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

WKP Asset Plus Company Limited, a company incorporated in Thailand.

### 2. BASIS FOR CONSOLIDATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 The accompanying consolidated financial statements include the accounts of City Steel Public Company Limited and the following subsidiaries which are owned directly and indirectly by the Company which are incorporated in Thailand and in foreign country. And the percentage of total assets and total revenues of the subsidiaries included in the consolidated financial statement are as follows:

Company's name	Nature of business	Revenues as a percentage					
		Percentage of		Assets as a percentage		to the consolidated total	
		shareholding		to the consolidated total		revenues for the year	
				assets as at		ended July 31,	
		2019	2018	2019	2018	2019	2018
● Direct subsidiaries held by the Company							
Siam ISO Pro Co., Ltd.	Sale of metal products and industrial materials and equipments	99.99	99.99	22.15	22.03	0.21	0.28
Mark Worldwide Co., Ltd.	Manufacture and sale of metal products	99.99	99.99	22.34	22.51	7.29	9.73
City Steel Products Co., Ltd.	Manufacture and sale of metal products	99.99	99.99	52.37	52.00	90.68	88.85
● Indirect subsidiaries held by Siam ISO Pro Co., Ltd.							
CT Universal Co., Ltd.	Has not started operation	100.00	100.00	13.91	12.35	0.70	0.73

2.2 The consolidated financial statements are prepared by using uniform accounting policies for transaction alike and other events in similar circumstances.



- 2.3 The financial statements of an overseas subsidiary is translated into Thai Baht at the closing exchange rate as to assets and liabilities, and at average exchange rates on transaction date as to revenues and expenses. The resultant differences have been shown under the caption of “Currency translation differences of the financial statements of foreign entity” in shareholders’ equity.
- 2.4 Material balances and transactions between the Company and its subsidiaries have been eliminated from the consolidated financial statements.
- 2.5 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 financial statements.

### 3. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

#### 3.1 Basis for the preparation of financial statements

The financial statements have been prepared in accordance with the accounting standards prescribed by Thai Accounts Act enunciated under the Accounting Profession Act B.E. 2547 by complying with the financial reporting standards. The presentation of the financial statements has been made in compliance with the Notification of the Department of Business Development, the Ministry of Commerce, re : the financial statements presentation for public limited company, issued under the accounting Act B.E. 2543.

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

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.

#### 3.2 The financial reporting standards are effective in the current year

The Federation of Accounting Professions (FAP) has issued Notifications to mandate the revised accounting standards, financial reporting standards, and interpretations of accounting and financial reporting standards, which are effective for the fiscal year beginning on or after January 1, 2018 are as follows:

TAS 1 (revised 2017)	Presentation of Financial Statements
TAS 2 (revised 2017)	Inventories
TAS 7 (revised 2017)	Statement of Cash Flows



TAS 8 (revised 2017)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2017)	Events After the Reporting Period
TAS 11 (revised 2017)	Construction Contracts
TAS 12 (revised 2017)	Income Taxes
TAS 16 (revised 2017)	Property, Plant and Equipment
TAS 17 (revised 2017)	Leases
TAS 18 (revised 2017)	Revenue
TAS 19 (revised 2017)	Employee Benefits
TAS 20 (revised 2017)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (revised 2017)	The Effects of Changes in Foreign Exchange Rates
TAS 23 (revised 2017)	Borrowing Costs
TAS 24 (revised 2017)	Related Party Disclosures
TAS 26 (revised 2017)	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2017)	Separate Financial Statements
TAS 28 (revised 2017)	Investments in Associates and Joint Ventures
TAS 29 (revised 2017)	Financial Reporting in Hyperinflationary Economies
TAS 33 (revised 2017)	Earnings Per Share
TAS 34 (revised 2017)	Interim Financial Reporting
TAS 36 (revised 2017)	Impairment of Assets
TAS 37 (revised 2017)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2017)	Intangible assets
TAS 40 (revised 2017)	Investment Property
TAS 41 (revised 2017)	Agriculture
TFRS 2 (revised 2017)	Share-Based Payment
TFRS 3 (revised 2017)	Business Combinations
TFRS 4 (revised 2017)	Insurance Contracts
TFRS 5 (revised 2017)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6 (revised 2017)	Exploration for and Evaluation of Mineral Resources
TFRS 8 (revised 2017)	Operating Segments
TFRS 10 (revised 2017)	Consolidated Financial Statements
TFRS 11 (revised 2017)	Joint Arrangements
TFRS 12 (revised 2017)	Disclosure of Interests in Other Entities
TFRS 13 (revised 2017)	Fair Value Measurement



TSIC 10 (revised 2017)	Government Assistance - No Specific Relation to Operating Activities
TSIC 15 (revised 2017)	Operating Leases - Incentives
TSIC 25 (revised 2017)	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders
TSIC 27 (revised 2017)	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
TSIC 29 (revised 2017)	Service Concession Arrangements: Disclosure
TSIC 31 (revised 2017)	Revenue-Barter Transactions Involving Advertising Services
TSIC 32 (revised 2017)	Intangible Assets - Web Site Costs
TFRIC 1 (revised 2017)	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 4 (revised 2017)	Determining whether an Arrangement contains a Lease
TFRIC 5 (revised 2017)	Right to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
TFRIC 7 (revised 2017)	Applying the Restatement Approach under TAS 29 (revised 2017) Financial Reporting in Hyperinflationary Economics
TFRIC 10 (revised 2017)	Interim Financial Reporting and Impairment
TFRIC 12 (revised 2017)	Service Concession Arrangements
TFRIC 13 (revised 2017)	Customer Loyalty Programmes
TFRIC 14 (revised 2017)	TAS 19 (revised 2017) - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
TFRIC 15 (revised 2017)	Agreements for the Construction of Real Estate
TFRIC 17 (revised 2017)	Distributions of Non - cash Assets to Owners
TFRIC 18 (revised 2017)	Transfers of Assets from Customers
TFRIC 20 (revised 2017)	Stripping Costs in the Production Phase of a Surface Mine
TFRIC 21 (revised 2017)	Levies

The management of the Company and its subsidiaries evaluated that these revised accounting standards, financial reporting standard, accounting standard interpretations and financial reporting standards interpretations do not have any significant impact on the financial statements in current year.



#### 4. SIGNIFICANT ACCOUNTING POLICIES

##### 4.1 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.

##### 4.2 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.

##### 4.3 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.

##### 4.4 Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is calculated as follows:

Finished goods	: First in - First out
Work in process	: First in - First out
Raw materials and supplies	: First in - First out

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The costs of conversion above include an appropriate share of production overheads based on normal production capacity.

The cost of purchase comprises both the purchase price and costs directly attributable to the acquisition of the inventory, such as import duties, transportation charges and other direct costs incurred in acquiring the inventories less all trade discounts, allowances or rebates.



The net realizable value of inventory is estimated from the selling price in the ordinary course of business less the estimated costs to complete production and the estimated costs to complete the sale.

#### **4.5 Investments**

##### **Investments in subsidiaries**

Subsidiaries are entities over which the Company has the power to control their financial and operating policies generally accompanying a shareholding of more than one-half of the voting rights. The financial statements of the subsidiaries are consolidated from the date the Company exercises control over the subsidiaries until the date that control power ceases.

Investments in subsidiaries are stated at cost net from allowance on impairment (if any) in the separate financial statements.

##### **Investments in debt securities and marketable equity securities**

1. Investments in securities held for trading are stated at fair value. Changes in the fair value of these securities are recorded as gains or losses in the statements of comprehensive income.

2. Investments in available-for-sale securities are stated at fair value. Changes in the fair value of these securities are recorded as a separate item in shareholder's equity, and will be recorded as gains or losses in the statement of comprehensive income when the securities are sold.

3. Investments in debt securities held to maturity are recorded at amortized cost by the effective rate method with the amortized amount presented as an adjustment to the interest income.

The fair value of marketable securities is based on the latest bid price of the last working day of the year. The fair value of debt instruments is determined based on yield rates quoted by the Thai Bond Market Association. The fair value of unit trusts is determined from their net asset value.

#### **4.6 Investment property**

Investment property is stated at cost less accumulated depreciation and allowance on impairment (if any).

#### **4.7 Property, plant and equipment and Depreciation**

Land is stated at cost. Plant and equipment are stated at cost less accumulated depreciation and allowance on impairment (if any).

Cost is initially recognized upon acquisition of assets along with other direct costs attributing to acquiring such assets in the condition ready to serve the objectives, including the costs of asset demolition, removal and restoration of the asset location, which are the obligations of the company.



Depreciation of plant and equipment is calculated by cost less residual value on the straight-line basis over the following estimated useful lives:

Buildings and complements	20	years
Machinery and equipment	5 - 15	years
Furniture and office equipment	3 - 5	years
Motor vehicles	5 - 10	years

The Company has reviewed the residual value and useful life of the assets every year.

The depreciation for each asset component is calculated on the separate components when each component has significant cost compared to the total cost of that asset.

Depreciation is included in determining income.

No depreciation is provided on land, construction in progress and equipment under installation.

Property, plant and equipment are written off at disposal. Gains or losses arising from sale or write-off of assets are recognized in the statement of comprehensive income.

#### 4.8 Intangible assets and Amortization

Intangible assets that are acquired by the Company with finite useful lives are stated at cost less accumulated amortization and allowance on impairment (if any). Intangible assets are amortized in the statement of comprehensive income on a straight-line basis over their estimated useful lives from the date that they are available for use. The estimated useful lives are as follows:

Software license	3 – 5	years
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#### 4.9 Related party transactions

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

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

#### 4.10 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 statement of financial position date are translated into Baht at the exchange rates ruling on the statement of financial position date.

Gains and losses on exchange are included in determining income.



#### 4.11 Impairment of assets

As at the statement of financial position date, the Company assesses whether there is an indication of asset impairment. If any such indication exists, the Company will make an estimate of the asset's recoverable amount. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized in the statement of comprehensive income. In addition, impairment loss is reversed if there is a subsequent increase in the recoverable amount. The reversal shall not exceed the carrying value that would have been determined net of accumulated depreciation or amortization if the Company has never recognized the loss on impairment of assets. The recoverable amount of the asset is the asset's value in use or fair value less costs to sell.

#### 4.12 Employee benefits

##### Short-term employment benefits

The Company recognizes salary, wage, bonus and contributions to social security fund and provident fund as expenses when incurred.

##### Post-employment benefits (Defined contribution plans)

The Company and its employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Company. The fund's assets are held in a separate trust fund and the Company's contributions are recognized as expenses when incurred.

##### Post-employment benefits (Defined benefit plans)

The Company has obligations in respect of the severance payments that it must pay to the employees upon retirement under the labor law and other employee benefit plans. The Company treats these severance payment obligations as a defined benefit plan.

The obligation under the defined benefit plan is calculated based on the actuarial principles by the management of the Company, using the projected unit credit method. Such estimates are made based on various assumptions, including discount rate, future salary increase rate, staff turnover rate, mortality rate, and inflation rate.

Actuarial gains and losses for post-employment benefits of the employees are recognized immediately in other comprehensive income in statement of comprehensive income as a part of retained earnings.

#### 4.13 Corporate income tax

##### Income tax

Income tax comprises current income tax and deferred tax.

##### Current tax

The Company and its subsidiaries records income tax expense, if any, based on the amount currently payable under the Revenue Code at the income tax rates (20%) of profit before income tax, after adding back certain expenses which are non-deductible for income tax computation purposes, and less certain transactions certain expenses which are non-deductible for income tax computation purposes, and less certain transactions which are exempted or allowable from income tax. An subsidiary is exempted from corporate income tax on net profit from privileges of investment promotion certificate.





#### Deferred tax

Deferred tax assets and liabilities are provided on the temporary differences between the carrying amount and the tax bases of assets and liabilities at the end of the reporting period. Changes in deferred tax assets and liabilities are recognized as deferred tax income or deferred tax expense, which are recognized in the profit or loss except to the extent that it relates to items recognized directly in shareholders' equity or in other comprehensive income.

The deductible temporary differences are recognized as deferred tax assets when it is probable that the Company will have future taxable profit to be available against which the deferred tax assets can be utilized. The taxable temporary differences on all taxable items are recognized as deferred tax liabilities.

Deferred tax assets and liabilities are measured at the tax rates that the Company and its subsidiaries expect to apply to the period when the deferred tax assets are realized or the deferred tax liabilities are settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

At the end of each reporting period, the carrying amount of deferred tax assets are reviewed and reduced the value when it is probable that the Company will have no longer the future taxable profit that is sufficient to be available against which all or some parts of deferred tax assets are utilized.

Deferred tax assets and deferred tax liabilities are offset when there is the legal right to settle on a net basis and they relate to income taxes levied by the same tax authority on the same taxable entity.

#### **4.14 Significant accounting judgements and estimates**

The preparation of financial statements in conformity with financial reporting standards at times requires management to make subjective judgements and estimates regarding matters that are inherently uncertain. These judgements and estimates affect amounts reported in the financial statements and disclosures and actual results could differ from these estimates. Significant judgements and estimates are as follows:

##### **Allowance for doubtful accounts**

In determining an allowance for doubtful accounts, the management needs to make judgement and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

##### **Property, plant and equipment and Depreciation**

In determining depreciation of plant and equipment, the management is required to make estimates of the useful lives and residual values of the plant and equipment and to review the estimated useful lives and residual values when there are any changes.



In addition, the management is required to review property, plant and equipment for impairment on a periodical basis and record the impairment loss when it is determined that the recoverable amount is lower than the carrying amount. This requires judgement regarding forecast of future revenues and expenses relating to the assets subject to the review.

#### Deferred tax assets

Deferred tax assets are recognized for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the temporary differences and losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of estimated future taxable profits.

#### Post-employment benefits under defined benefit plans

The obligation under the defined benefit plan is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate and staff turnover rate.

#### 4.15 Earnings per share

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

### 5. RELATED PARTY TRANSACTIONS

Related parties are as follows :-

	Nature of business	Relationship
<u>Subsidiary Companies</u>		
Siam ISO Pro Co., Ltd.	Sale of metal products and industrial materials and equipments	The company holds 99.99% in the subsidiary
Mark Worldwide Co., Ltd.	Manufacture and sale of metal products	The company holds 99.99% in the subsidiary
City Steel Products Co., Ltd.	Manufacture and sale of metal products	The company holds 99.99% in the subsidiary
CT Universal Co., Ltd. *	Has not started operation	The subsidiary company holds 100.00% in the subsidiary
(*Indirect subsidiary through Siam ISO Pro Company Limited)		
<u>Related Companies</u>		
Siam C.T.P. Industry Co., Ltd.	Sale of metal automotive accessories	Common shareholders
WKP Asset Plus Co., Ltd.	Real Estate	Major shareholder



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 : Baht)

	For the years ended July 31,				
	Consolidated financial statements		Separate financial statements		Pricing Policies
	2019	2018	2019	2018	
<u>Transactions with related companies</u>					
Electricity expenses	963,190	889,380	-	-	Cost plus margin
Rental expenses	532,800	583,200	34,560	34,560	Based on contract
<u>Transactions with subsidiaries</u>					
Management income	-	-	14,292,500	13,892,200	Cost plus margin
Service income	-	-	-	77,555	Cost plus margin
Electricity income	-	-	107,390	94,180	Cost plus margin
Purchases of finished goods	-	-	3,369,110	686,661	Cost plus margin
Dividend income	-	-	12,352,499	24,704,998	By the amount declared

The balances of the accounts as at July 31, 2019 and 2018 between the Company and those related companies are as follows:

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
<b><u>Trade accounts receivable - related parties</u></b>				
Siam ISO Pro Co., Ltd.	-	-	82,925	66,982
Mark Worldwide Co., Ltd.	-	-	-	-
City Steel Products Co., Ltd.	-	-	4,154,436	3,431,094
Total trade accounts receivable - related parties	-	-	4,237,361	3,498,076
<b><u>Trade accounts payable - related parties</u></b>				
City Steel Products Co., Ltd.	-	-	236,232	204,138
Siam C.T.P. Industry Co., Ltd.	97,916	100,880	-	-
Total trade accounts payable - related parties	97,916	100,880	236,232	204,138

#### Management benefit expenses

Management benefit expenses represent the benefits paid to the Company's management such as salaries and related benefit including the benefit paid by other means. The Company's management is the persons who are defined under the Securities and Exchange Act.

Management benefit expenses for the year ended July 31, 2019 and 2018 are as follows:

(Unit : Baht)

	Consolidated Financial Statement		Separate Financial Statement	
	2019	2018	2019	2018
Management				
Management benefit expenses				
Short-term employee benefits	2,741,137	2,877,236	2,741,137	2,877,236
Post-employment benefits	295,337	47,497	295,337	47,497
Total	3,036,474	2,924,733	3,036,474	2,924,733



## 6. CASH AND CASH EQUIVALENTS

This account consisted of:

	(Unit : Baht)	
	Consolidated financial statements	Separate financial statements
	2019	2018
Cash on hand and petty cash	564,186	586,881
Cash at banks - Savings account	602,447,861	729,299,662
- Current account	157,912,974	8,278,376
Fixed deposits 3 months	11,083	10,996
Total	760,936,104	738,175,915

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

## 7. SHORT-TERM INVESTMENT

This account consisted of:

	(Unit : Baht)	
	Consolidated financial statements	Separate financial statements
	2019	2018
Short-term investment - Fixed deposit 6 months	60,000,000	40,000,000
Total	60,000,000	40,000,000

As at July 31, 2019 and 2018 fixed deposits has interest rate at the rate of 1.60 - 1.65% per annum and 1.45 - 1.47% per annum, respectively.

## 8. INVESTMENTS IN AVAILABLE-FOR-SALE SECURITIES

This account consisted of:

	(Unit : Baht)	
	Consolidated financial statements	Separate financial statements
	2019	2018
Investments in available-for-sale securities - at cost		
- Open fund (Money Market Fund)	-	5,327,670
- Open fund (Fixed Income Fund)	95,583,651	92,540,098
Total	95,583,651	97,867,768
Add : Unrealized gain on change in value of investments	1,035,315	1,314,735
Investments in available-for-sale securities - fair value	96,618,966	99,182,503

As at July 31, 2019, unrealized gain on remeasuring of available-for-sale securities as presented in other component of shareholders' equity in the consolidated financial statements and separate financial statements for Baht 0.83 million and Baht 0.03 million are the amounts net of deferred income tax of Baht 0.21 million and 0.01 million, respectively.

As at July 31, 2018, unrealized gain on remeasuring of available-for-sale securities as presented in other component of shareholders' equity in the consolidated financial statements and separate financial statements for Baht 1.05 million and Baht 0.005 million are the amounts net of deferred income tax of Baht 0.26 million and 0.001 million, respectively.

## 9. TRADE ACCOUNTS RECEIVABLE

This account consisted of:

	(Unit : Baht)			
	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Account receivable	63,408,740	70,200,237	4,406,089	3,705,902
Note receivable	-	21,054	-	-
Total	<u>63,408,740</u>	<u>70,221,291</u>	<u>4,406,089</u>	<u>3,705,902</u>

The outstanding balances of trade accounts receivable as at July 31, 2019 and 2018, as classified by due dates, are as follows:

	(Unit : Baht)			
	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Age of receivables				
Undue	56,066,277	62,712,146	4,406,089	3,693,062
Less than 3 months overdue	7,342,463	7,509,145	-	12,840
Over 3 months to 6 months	-	-	-	-
Over 6 months to 12 months	-	-	-	-
Over 12 months	-	-	-	-
Net	<u>63,408,740</u>	<u>70,221,291</u>	<u>4,406,089</u>	<u>3,705,902</u>

	(Unit : Baht)			
	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Bad debt	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

## 10. INVENTORIES

This account consisted of:

	(Unit : Baht)			
	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Raw materials	2,041,125	1,848,823	-	-
Total	<u>2,041,125</u>	<u>1,848,823</u>	<u>-</u>	<u>-</u>

## 11. 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.

## 12. INVESTMENTS IN SUBSIDIARIES

As at July 31, 2019 and 2018 investments in subsidiaries accounted for under cost method represent investments in ordinary shares in the following subsidiaries.

(Unit : Baht)							
						Dividend income	
						For the year	
						ended July 31,	
Company's name	Paid-up share capital		At equity method		At cost method		
	2019	2018	2019	2018	2019	2018	
Siam ISO Pro Co., Ltd.	264,160,000	264,160,000	459,321,340	470,684,574	264,159,940	264,159,940	-
Mark Worldwide Co., Ltd.	280,200,000	280,200,000	316,872,742	321,489,214	264,819,940	264,819,940	-
City Steel Products Co., Ltd.	247,050,000	247,050,000	687,513,672	688,052,751	247,049,980	247,049,980	12,352,499
Total investments in subsidiaries			1,463,707,754	1,480,226,539	776,029,860	776,029,860	24,704,998

## ESTABLISHMENT OF THE OVERSEAS SUBSIDIARY

Siam ISO Pro Company Limited (subsidiary) had established and registered a subsidiary in the Republic of Seychelles, which offers better privileges for the Company and will generate more benefits for the Group, by using the source of funds from the Group's working capital with the objectives of facilitating the Group's future business expansion. The details of the investment are as follows :

Company name	: CT Universal Company Limited
Date of registration	: January 20, 2017
Registered capital	: USD 5.0 million (Baht 177.64 million)
Type of business	: Merchandising industrial and consumer products as well as investing in new businesses
Shareholding structure	: Siam ISO Pro Company Limited holds 100% of total shares

Siam ISO Pro Company Limited had fully paid for the share capital in the subsidiary. Currently this subsidiary has not yet started the operation. It only has interest income from bank deposits.



The summary of financial information represents the amounts of subsidiaries before intragroup eliminations as follows:

(Unit : Baht)						
	2019			2018		
	Siam ISO Pro Co., Ltd.	Mark Worldwide Co., Ltd.	City Steel Products Co., Ltd.	Siam ISO Pro Co., Ltd.	Mark Worldwide Co., Ltd.	City Steel Products Co., Ltd.
Current assets	183,664,072	192,468,506	561,698,432	196,514,999	191,735,953	517,180,782
Non-current assets	276,369,611	127,770,820	153,215,116	274,923,487	133,528,020	195,725,044
Total assets	460,033,683	320,239,326	714,913,548	471,438,486	325,263,973	712,905,826
Current liabilities	322,333	905,719	24,153,296	340,331	1,837,583	22,537,001
Non-current liabilities	389,950	1,983,093	3,246,560	413,521	1,399,727	2,316,054
Total liabilities	712,283	2,888,812	27,399,856	753,852	3,237,310	24,853,055
Net assets	459,321,400	317,350,514	687,513,692	470,684,634	322,026,663	688,052,771
Revenue	6,693,420	29,245,320	360,689,620	5,264,234	48,165,279	365,360,463
Net cash inflow (outflow) from operating activities	2,232,682	(1,635,070)	59,574,344	363,363	8,972,580	59,828,658
Net cash inflow (outflow) from investing activities	(49,978)	(30,968,917)	(15,215,065)	(2,183,829)	1,050,932	(10,568,806)
Net cash inflow (outflow) from financing activities	-	-	(12,352,500)	-	-	(24,705,000)
Net cash inflow (outflow)	2,182,704	(32,603,987)	32,006,779	(1,820,466)	10,023,512	24,554,852

### 13. INVESTMENT PROPERTY

This account consisted of:

(Unit : Baht)			
	Consolidated financial statements		Separate financial statements
	2019	2018	2019
Land	88,100,000	88,100,000	-
	88,100,000	88,100,000	-

Investment property of the subsidiary is the land of 29 plots with total value of Baht 88.10 million. Currently, the purpose of future uses of these lands has not yet been identified. For all such land, the subsidiary had valued the value of this investment property on July 5, 2018 by an independent appraiser using the market approach. The fair value of this land was Baht 118.78 million.



#### 14. PROPERTY, PLANT AND EQUIPMENT

This account consisted of:

(Unit : Baht)

	Consolidated financial statements			
	Balance As at July 31, 2018	Additions	Deduction	Balance As at July 31, 2019
<u>At cost</u>				
Land	58,858,269	-	-	58,858,269
Building	237,137,946	-	-	237,137,946
Machinery and equipment	524,244,462	-	-	524,244,462
Vehicle	69,843,476	4,102,804	(824,037)	73,122,243
Furniture and office equipment	16,968,360	-	-	16,968,360
Total	907,052,513	4,102,804	(824,037)	910,331,280
<u>Less Accumulated depreciation :</u>				
Building	(89,593,263)	(11,689,317)	-	(101,282,580)
Machinery and equipment	(434,627,681)	(33,392,596)	-	(468,020,277)
Vehicle	(43,525,996)	(4,174,563)	824,036	(46,876,523)
Furniture and office equipment	(13,059,497)	(1,407,896)	-	(14,467,393)
Total	(580,806,437)	(50,664,372)	824,036	(630,646,773)
Property, plant and equipment - net	326,246,076			279,684,507

(Unit : Baht)

	Consolidated financial statements			
	Balance As at July 31, 2017	Additions	Deduction	Balance As at July 31, 2018
<u>At cost</u>				
Land	58,858,269	-	-	58,858,269
Building	237,137,946	-	-	237,137,946
Machinery and equipment	539,253,294	210,000	(15,218,832)	524,244,462
Vehicle	63,107,962	6,735,514	-	69,843,476
Furniture and office equipment	15,494,061	1,474,299	-	16,968,360
Total	913,851,532	8,419,813	(15,218,832)	907,052,513
<u>Less Accumulated depreciation :</u>				
Building	(77,903,946)	(11,689,317)	-	(89,593,263)
Machinery and equipment	(404,532,267)	(38,818,739)	8,723,325	(434,627,681)
Vehicle	(40,634,573)	(2,891,423)	-	(43,525,996)
Furniture and office equipment	(11,779,850)	(1,279,647)	-	(13,059,497)
Total	(534,850,636)	(54,679,126)	8,723,325	(580,806,437)
Property, plant and equipment - net	379,000,896			326,246,076

Depreciation for the years ended July 31,

2019 (Baht 41.98 million included in cost of sales and services and the balance in administrative expenses)	50,664,372
2018 (Baht 47.41 million included in cost of sales and services and the balance in administrative expenses)	54,679,126



(Unit : Baht)

	Separate financial statements				
	Balance As at July 31, 2018	Additions	Deduction	Transfers in (out)	Balance As at July 31, 2019
<u>At cost</u>					
Building	4,464,395	-	-	-	4,464,395
Machinery and equipment	31,083,525	-	-	-	31,083,525
Vehicle	8,135,953	-	(824,037)	-	7,311,916
Furniture and office equipment	3,366,327	-	-	-	3,366,327
Total	47,050,200	-	(824,037)	-	46,226,163
<u>Less Accumulated depreciation :</u>					
Building	(2,619,888)	(199,908)	-	-	(2,819,796)
Machinery and equipment	(31,083,471)	-	-	-	(31,083,471)
Vehicle	(8,135,951)	-	824,036	-	(7,311,915)
Furniture and office equipment	(3,366,292)	-	-	-	(3,366,292)
Total	(45,205,602)	(199,908)	824,036	-	(44,581,474)
Property, plant and equipment - net	1,844,598				1,644,689

(Unit : Baht)

	Separate financial statements				
	Balance As at July 31, 2017	Additions	Deduction	Transfers in (out)	Balance As at July 31, 2018
<u>At cost</u>					
Building	4,464,395	-	-	-	4,464,395
Machinery and equipment	31,083,525	-	-	-	31,083,525
Vehicle	8,135,953	-	-	-	8,135,953
Furniture and office equipment	3,366,327	-	-	-	3,366,327
Total	47,050,200	-	-	-	47,050,200
<u>Less Accumulated depreciation :</u>					
Building	(2,419,980)	(199,908)	-	-	(2,619,888)
Machinery and equipment	(31,083,471)	-	-	-	(31,083,471)
Vehicle	(8,135,951)	-	-	-	(8,135,951)
Furniture and office equipment	(3,366,292)	-	-	-	(3,366,292)
Total	(45,005,694)	(199,908)	-	-	(45,205,602)
Property, plant and equipment - net	2,044,506				1,844,598

Depreciation for the years ended July 31,

2019 (Total included in administrative expenses)

199,908

2018 (Total included in administrative expenses)

199,908

A subsidiary has mortgaged land and construction with a total net book value as at July 31, 2019, of Baht 111.20 million (As at July 31, 2018: Baht 116.14 million) to secure credit facilities from financial institution.

As at July 31, 2019 and 2018, 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 Baht 197.79 million and Baht 110.56 million, respectively (the company: Baht 42.19 million and Baht 43.01 million, respectively).

## 15. INTANGIBLE ASSETS

This account consisted of:

(Unit : Baht)

	Consolidated financial statements			Balance As at July 31, 2019
	Balance As at July 31, 2018	Additions	Deduction	
<u>At cost</u>				
Computer software	2,006,770	-	-	2,006,770
<u>Less Accumulated amortization</u>	(2,006,548)	-	-	(2,006,548)
Intangible assets - net	<u>222</u>			<u>222</u>

(Unit : Baht)

	Consolidated financial statements			Balance As at July 31, 2018
	Balance As at July 31, 2017	Additions	Deduction	
<u>At cost</u>				
Computer software	2,006,770	-	-	2,006,770
<u>Less Accumulated amortization</u>	(2,006,548)	-	-	(2,006,548)
Intangible assets - net	<u>222</u>			<u>222</u>

(Unit : Baht)

	Separate financial statements			Balance As at July 31, 2019
	Balance As at July 31, 2018	Additions	Deduction	
<u>At cost</u>				
Computer software	1,279,270	-	-	1,279,270
<u>Less Accumulated amortization</u>	(1,279,059)	-	-	(1,279,059)
Intangible assets - net	<u>211</u>			<u>211</u>



(Unit : Baht)

	Separate financial statements		
	Balance As at July 31, 2017	Additions	Deduction
<u>At cost</u>			
Computer software	1,279,270	-	-
<u>Less Accumulated amortization</u>	<u>(1,279,059)</u>	<u>-</u>	<u>-</u>
Intangible assets - net	<u>211</u>		

As at July 31, 2019 and 2018, certain intangible assets items of the Company and its subsidiaries have been fully amortized but are still in use. The original cost of those assets amounted to approximately Baht 2.0 million and Baht 2.0 million, respectively (The company: Baht 1.3 million and Baht 1.3 million, respectively).

## 16. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Deferred tax assets and deferred tax liabilities are as follows:-

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Deferred tax assets	1,883,688	1,180,650	698,829	483,021
Deferred tax liabilities	(39,816)	(168,394)	(6,407)	(1,272)
Deferred tax assets (liabilities) - net	<u>1,843,872</u>	<u>1,012,256</u>	<u>692,422</u>	<u>481,749</u>

16.1 Changes in deferred tax assets and deferred tax liabilities for the year ended July 31, 2019 and 2018 are summarized as follows:

(Unit : Baht)

	Consolidated financial statements		
	Balance as at July 31, 2018	Revenue (expenses) during the year In profit or loss      In other comprehensive income	Balance as at July 31, 2019
Deferred tax assets:			
Employee benefit obligations	1,275,203	539,584	-
Tax losses brought forward	-	236,148	-
Total	<u>1,275,203</u>	<u>775,732</u>	<u>-</u>
Deferred tax liabilities:			
Unrealized gain on remeasuring available-for-sale investment	262,947	-	55,884
Total	<u>262,947</u>	<u>-</u>	<u>55,884</u>
Net	<u>1,012,256</u>		<u>1,843,872</u>

(Unit : Baht)

		Consolidated financial statements			
		Balance as at July 31, 2017	Revenue (expenses) during the year		Balance as at July 31, 2018
			In profit or loss	In other comprehensive income	
Deferred tax assets:					
	Intangible assets	24,198	(24,198)	-	-
	Employee benefit obligations	270,504	116,737	887,962	1,275,203
	Total	294,702	92,539	887,962	1,275,203
Deferred tax liabilities:					
	Unrealized gain on remeasuring available-for-sale investment	392,198	-	129,251	262,947
	Total	392,198	-	129,251	262,947
Net		(97,496)			1,012,256

(Unit : Baht)

		Separate financial statements			
		Balance as at	Revenue (expenses) during the year		Balance as at
		July 31, 2018	In profit or loss	In other comprehensive income	July 31, 2019
Deferred tax assets:					
Employee benefit obligations		483,021	215,808	-	698,829
Total		483,021	215,808	-	698,829
Deferred tax liabilities:					
Unrealized gain on remeasuring available-for-sale investment		1,272	-	(5,135)	6,407
Total		1,272	-	(5,135)	6,407
Net		481,749			692,422

(Unit : Baht)

	Separate financial statements			
	Balance as at	Revenue (expenses) during the year		Balance as at
	July 31, 2017	In profit or loss	In other comprehensive income	July 31, 2018
Deferred tax assets:				
Intangible assets	24,199	(24,199)	-	-
Employee benefit obligations	104,778	46,047	332,196	483,021
Total	128,977	21,848	332,196	483,021
Deferred tax liabilities:				
Unrealized gain on remeasuring available-for-sale investment	2,193	-	921	1,272
Total	2,193	-	921	1,272
Net	126,784			481,749

## 16.2 Tax expense

### 16.2.1 Major components of tax expense for the years ended July 31, 2019 and 2018 consisted of:

	(Unit : Baht)			
	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Income tax expense shown in profit or loss:				
Current tax expense:				
Income tax expense for the years	4,170,238	284,092	299,839	110,005
Deferred tax expense:				
Changes in temporary differences relating to the original recognition and reversal	(775,732)	(92,539)	(215,808)	(21,848)
Total	<u>3,394,506</u>	<u>191,553</u>	<u>84,031</u>	<u>88,157</u>
Income tax relating to components of other comprehensive income:				
Deferred tax relating to:				
Remeasuring available-for-sale investments	(55,884)	(129,251)	5,135	(921)
Actuarial (losses) arising from post-employee benefit	-	(887,961)	-	(332,196)
Total	<u>(55,884)</u>	<u>(1,017,212)</u>	<u>5,135</u>	<u>(333,117)</u>

16.2.2 A numerical reconciliation between tax expense and the product of accounting profit multiplied by the applicable tax rate for the years ended July 31, 2019 and 2018 are summarized as follows:

	(Unit : Baht)			
	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Accounting profit for the years	13,290,171	30,313,504	12,464,261	24,884,612
The applicable tax rate (%)	20	20	20	20
Tax expense at the applicable tax rate	<u>2,658,034</u>	<u>6,062,701</u>	<u>2,492,852</u>	<u>4,976,922</u>
Reconciliation items:				
Tax effect of expenses that are not deductible in determining tax profit:				
- Expenses not allowed as expenses in determining taxable profit	612,806	402,298	61,679	55,954
Tax effects of incomes or profits that not included in computing taxable profits:				
- The exemption of profit of the promoted business (BOI)	-	(5,695,294)	-	-
- Others	(519,571)	(814,300)	(2,470,500)	(4,944,719)
The amount of previously unrecognized tax losses for a prior period that is used to reduce current tax expenses	(236,148)	-	-	-
Unrecognized tax losses on deferred tax assets	<u>879,385</u>	<u>236,148</u>	<u>-</u>	<u>-</u>
Total reconciliation items	<u>736,472</u>	<u>(5,871,148)</u>	<u>(2,408,821)</u>	<u>(4,888,765)</u>
Total tax expense	<u>3,394,506</u>	<u>191,553</u>	<u>84,031</u>	<u>88,157</u>

The subsidiary had tax losses for the year ended July 31, 2019 that had not been used of Baht 0.88 million. The subsidiary did not record those tax losses as deferred tax assets as there was uncertainty that the subsidiary would have sufficient taxable profits to utilize the deferred tax assets.

16.2.3 A numerical reconciliation between the average effective tax rate and the applicable tax rate for the years ended July 31, 2019 and 2018 are summarized as follows:

(Unit: Baht)

	Consolidated financial statements			
	2019		2018	
	Tax amount	Tax rate (%)	Tax amount	Tax rate (%)
Accounting profit before tax expense for the years	13,290,171		30,313,504	
Tax expense at the applicable tax rate	2,658,034	20.00	6,062,701	20.00
Reconciliation items	736,472	5.54	(5,871,148)	(19.37)
Tax expense at the average effective tax rate	<u>3,394,506</u>	<u>25.54</u>	<u>191,553</u>	<u>0.63</u>

(Unit: Baht)

	Separate financial statements			
	2019		2018	
	Tax amount	Tax rate (%)	Tax amount	Tax rate (%)
Accounting profit before tax expense for the years	12,464,261		24,884,612	
Tax expense at the applicable tax rate	2,492,852	20.00	4,976,922	20.00
Reconciliation items	(2,408,821)	(19.33)	(4,888,765)	(19.65)
Tax expense at the average effective tax rate	<u>84,031</u>	<u>0.67</u>	<u>88,157</u>	<u>0.35</u>

## 17. EMPLOYEE BENEFIT OBLIGATIONS

The Company and its subsidiaries have obligations for employee benefits as follows:

### Statement of financial position

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Employee benefit obligation, beginning of the year	6,376,015	1,352,521	2,415,107	523,893
Past service cost and interest				
Change a post-employment benefits plan amendment	1,902,907	-	759,586	-
Current service costs and interest				
Current service costs	527,601	396,595	216,910	159,661
Finance cost	267,409	187,092	102,542	70,571
Actuarial losses arising from post- employee	-	4,439,807	-	1,660,982
Employee benefit obligation, ending of the year	<u>9,073,932</u>	<u>6,376,015</u>	<u>3,494,145</u>	<u>2,415,107</u>

## Expenses recognized in the statements of comprehensive income

For the years ended July 31, 2019 and 2018

(Unit : Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
Cost of sales and services	774,315	104,297	-	-
Administrative expenses	1,360,856	244,801	681,159	112,164
Management benefit expenses	295,337	47,497	295,337	47,497
Finance cost	267,409	187,092	102,542	70,571
	<u>2,697,917</u>	<u>583,687</u>	<u>1,079,038</u>	<u>230,232</u>

On April 5, 2019, the Labor Protection Act has been enacted in the Royal Gazette. The Labor Protection Act includes a requirement that an employee who is terminated after having been employed by the same employer for an uninterrupted period of 20 years or more, receives severance payment of 400 days of wages at the most recent rate. This Act shall come into force after the expiration of thirty days from the enacted date in the Royal Gazette onwards. This change is considered a post-employment benefits plan amendment. The effect of change is recognized past service costs as expenses in comprehensive income for the year ended July 31, 2019.

## Primary assumptions for estimation according to actuarial principles

For the years ended July 31, 2019 and 2018

	Percentage	
	Consolidated financial statements/ Separate financial statements	
	2019	2018
Discount rate	3.23	3.23
Salary increase rate	3	3
Employee turnover rate	0.96 - 11.46	0.96 - 11.46
Mortality rate	105 of Thai Mortality Table 2017	105 of Thai Mortality Table 2017



## Sensitivity analysis

The results of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligations as at July 31, 2019 are summarized below:

	(Unit : Baht)			
	Consolidated Financial		Separate Financial	
	Statements		Statements	
	1% Increase	1% Decrease	1% Increase	1% Decrease
Discount rate	(1,115,238)	1,324,857	(496,036)	595,189
Future salary increase rate	1,174,218	(988,225)	611,194	(509,657)
Staff turnover rate	(426,908)	454,269	(196,129)	209,936
Mortality rate	(138,751)	141,108	(59,676)	60,744

## 18. 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 consolidated and separate statement of financial position as at July 31, 2019 and 2018, the Company and its subsidiaries debt-to-equity ratio was 0.023:1 and 0.020:1, and the Company's debt-to-equity ratio was 0.005 : 1 and 0.004 : 1, respectively.

## 19. DIVIDEND

A meeting of the Board of Directors of the Company held on September 29, 2018, approved a resolution to propose a dividend of Baht 0.04 per share for the year 2017/2018, totaling Baht 12 million. This resolution was approved by the ordinary meeting of the shareholders on November 30, 2018. The Company paid a dividend to the shareholders in December 2018.

A meeting of the Board of Directors of the Company held on September 23, 2017, approved a resolution to propose a dividend of Baht 0.07 per share for the year 2016/2017, totaling Baht 21 million. This resolution was approved by the ordinary meeting of the shareholders on November 30, 2017. The Company paid a dividend to the shareholders in December 2017.

## 20. PROMOTIONAL PRIVILEGES

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, are exempted from corporate income tax for a period of eight years commencing as from the date of first earning operating income (Started August 3, 2010 and Ended on July 31, 2018).

Its subsidiaries' results of operations classified by the promoted and non-promoted activities for the years ended July 31, 2019 and 2018 are as follows:-

Consolidated Financial Statement (In Baht)					
	Promoted operations		Non-promoted operations		Total
	2019	2018	2019	2018	
Sales and service income	-	361,551,189	355,898,075	-	355,898,075
Other income	-	3,524,260	4,791,545	285,014	4,791,545
	-	365,075,449	360,689,620	258,014	360,689,620
					365,360,463

## 21. EXPENSE BY NATURE

Significant expenses categorized by nature for the years ended July 31, 2019 and 2018 are as follows:

	Consolidated financial		Separate financial	
	statements		statements	
	2019	2018	2019	2018
Raw material and consumable used	193,988,864	191,595,473	-	-
Depreciation and amortization	50,664,372	54,679,126	199,908	199,908
Employee expense	50,092,353	44,059,195	11,750,877	11,931,166
Employee benefits	2,697,917	583,687	1,079,038	230,232

## 22. 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, 2018 and 2017 the contributions by the Company and its subsidiaries amounted in total of Baht 0.86 million and Baht 0.86 million, respectively (the Company : Baht 0.85 million and Baht 0.85 million, respectively)



## 23. FINANCIAL INFORMATION BY SEGMENT

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance.

The one main operating segment of the Company and its subsidiaries is manufactures and sells metal products by dividing the marketing and production teams into 2 units, (1) Manufactures and sells of metal structures, storage systems and material handling equipment, and other metal products and (2) Manufactures and sells of metal and fabricated metal parts with the main operation in the single geographic area in Thailand.

Segment performance is measured based on operating profit or loss, on a basis consistent with that used to measure operating profit or loss in the financial statements. As a result, all of the revenues, operating profits and assets as reflected in these financial statements pertain to the aforementioned reportable operating segment and geographical area.

Transfer prices between business segments are the prices that mentioned in Note 5 to the financial statements.

## 24. COMMITMENTS AND CONTINGENT LIABILITIES

### 24.1 Operating lease commitments

As at July 31, 2019 the Company and its subsidiaries have commitment under the agreement for the rental fee as follows: -

	Baht	
	Consolidated financial statements	Separate financial statements
Payable within :		
1 year	532,800	34,560
More than 1 year to 5 years	1,065,600	69,120

### 24.2 Guarantees

As at July 31, 2019 and 2018, there were outstanding bank guarantees of approximately Baht 1.7 million and Baht 1.7 million, respectively (the company : Baht 0.6 million and Baht 0.6 million, respectively) issued by a bank on behalf of the Company and subsidiaries in respect of certain performance bonds as required in the normal course of business.



#### 24.3 Loan facilities from financial institutions

The Company and its subsidiaries obtained loan facilities from local commercial banks totaling Baht 290 million (As at July 31, 2018: Baht 290 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 143.59 million.

### 25. FINANCIAL INSTRUMENTS

#### 25.1 Accounting policies

Details of significant accounting policies and methods adopted, including criteria for recognition of revenues and expenses relating to financial assets and financial liabilities are disclosed in note 4.

#### 25.2 Financial risk management for financial instruments

The Company manages its financial risk exposure on financial assets and financial liabilities in the normal business by its internal management and control system, and the Company does not hold or issue any derivative financial instruments.

#### 25.3 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 statement of financial position.

#### 25.4 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, 2019 and 2018 classified by type of interest rates are summarized in the table below.

(Unit : Baht)

Consolidated financial statements	2019			Total	Interest rate (% p.a.)
	Floating interest rate	Fixed interest rate	Non-interest bearing		
<b>Financial assets</b>					
Cash and cash equivalents	760,287,672	11,083	637,349	760,936,104	0.00 - 2.04
Current investment	-	60,000,000	-	60,000,000	1.60 - 1.65
Deposits with restrictions	340,000	2,206,391	-	2,546,391	0.375 -1.00
Total	760,627,672	62,217,474	637,349	823,482,495	

(Unit : Baht)

Consolidated financial statements	2018			Total	Interest rate (% p.a.)
	Floating interest rate	Fixed interest rate	Non-interest bearing		
<b>Financial assets</b>					
Cash and cash equivalents	737,497,651	10,996	667,268	738,175,915	0.00 - 1.50
Current investment	-	40,000,000	-	40,000,000	1.45 - 1.47
Deposits with restrictions	340,000	2,187,522	-	2,527,522	0.375 - 1.00
Total	737,837,651	42,198,518	667,268	780,703,437	

(Unit : Baht)

Separate financial statements	2019			Total	Interest rate (% p.a.)
	Floating interest rate	Fixed interest rate	Non-interest bearing		
<b>Financial assets</b>					
Cash and cash equivalents	21,076,782	11,083	63,761	21,151,626	0.00 -1.20
Deposits with restrictions	-	1,927,079	-	1,927,079	0.85
Total	21,076,782	1,938,162	63,761	23,078,705	

(Unit : Baht)

Separate financial statements	2018			Total	Interest rate (% p.a.)
	Floating interest rate	Fixed interest rate	Non-interest bearing		
<b>Financial assets</b>					
Cash and cash equivalents	20,358,713	10,995	74,302	20,444,010	0.00 - 0.75
Deposits with restrictions	-	1,910,948	-	1,910,948	0.85
Total	20,358,713	1,921,943	74,302	22,354,958	



## 25.5 Fair values of financial instruments

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

### Fair value hierarchy

Level 1 - Use of quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Use of inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (e.g. prices) or indirectly (e.g. derived from prices).

Level 3 - Use of unobservable inputs such as estimates of future cash flows.

As at July 31, 2019 and 2018, the Company and its subsidiaries had the following assets and liabilities that were measured at fair value using different levels of inputs as follows:-

Consolidated Financial Statements (Baht)				
2019				
	Level 1	Level 2	Level 3	Total
<b>Assets measured at fair value</b>				
Investment in available for sale securities				
- Unit trust	-	96,618,966	-	96,618,966
Total	-	96,618,966	-	96,618,966

Consolidated Financial Statements (Baht)				
2018				
	Level 1	Level 2	Level 3	Total
<b>Assets measured at fair value</b>				
Investment in available for sale securities				
- Unit trust	-	99,182,503	-	99,182,503
Total	-	99,182,503	-	99,182,503

Separate Financial Statements (Baht)				
2019				
	Level 1	Level 2	Level 3	Total
<b>Assets measured at fair value</b>				
Investment in available for sale securities				
- Unit trust	-	27,390,959	-	27,390,959
Total	-	27,390,959	-	27,390,959

	Separate Financial Statements (Baht)			
	2018			
	Level 1	Level 2	Level 3	Total
<b>Assets measured at fair value</b>				
Investment in available for sale securities				
- Unit trust	-	27,006,501	-	27,006,501
<b>Total</b>	<b>-</b>	<b>27,006,501</b>	<b>-</b>	<b>27,006,501</b>

The fair value of investments in non-listed investment units on the Stock Exchange of Thailand is calculated by using the net assets value per unit as announced by the fund managers.

During the current period, there were no transfers within the fair value hierarchy.

## 26. THE NEWLY ISSUED AND REVISED FINANCIAL REPORTING STANDARDS AND EFFECTIVE IN THE FUTURE

The Federation of Accounting Professions (FAP) has issued Notifications to mandate the use of accounting standards, financial reporting standards, and interpretations of accounting and financial reporting standards that are newly issued and revised.

These newly issued and revised financial reporting standards which are effective for the fiscal year beginning on or after January 1, 2019 are as follows:

TAS 1 (revised 2018)	Presentation of Financial Statements
TAS 2 (revised 2018)	Inventories
TAS 7 (revised 2018)	Statement of Cash Flows
TAS 8 (revised 2018)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2018)	Events After the Reporting Period
TAS 12 (revised 2018)	Income Taxes
TAS 16 (revised 2018)	Property, Plant and Equipment
TAS 17 (revised 2018)	Leases
TAS 19 (revised 2018)	Employee Benefits
TAS 20 (revised 2018)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (revised 2018)	The Effects of Changes in Foreign Exchange Rates
TAS 23 (revised 2018)	Borrowing Costs
TAS 24 (revised 2018)	Related Party Disclosures
TAS 26 (revised 2018)	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2018)	Separate Financial Statements
TAS 28 (revised 2018)	Investments in Associates and Joint Ventures
TAS 29 (revised 2018)	Financial Reporting in Hyperinflationary Economies



TAS 33 (revised 2018)	Earnings Per Share
TAS 34 (revised 2018)	Interim Financial Reporting
TAS 36 (revised 2018)	Impairment of Assets
TAS 37 (revised 2018)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2018)	Intangible assets
TAS 40 (revised 2018)	Investment Property
TAS 41 (revised 2018)	Agriculture
TFRS 1	First-time Adoption of International Financial Reporting Standards
TFRS 2 (revised 2018)	Share-Based Payment
TFRS 3 (revised 2018)	Business Combinations
TFRS 4 (revised 2018)	Insurance Contracts
TFRS 5 (revised 2018)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6 (revised 2018)	Exploration for and Evaluation of Mineral Resource
TFRS 8 (revised 2018)	Operating Segments
TFRS 10 (revised 2018)	Consolidated Financial Statements
TFRS 11 (revised 2018)	Joint Arrangements
TFRS 12 (revised 2018)	Disclosure of Interests in Other Entities
TFRS 13 (revised 2018)	Fair Value Measurement
TFRS 15	Revenue from Contracts with Customers
TSIC 10 (revised 2018)	Government Assistance - No Specific Relation to Operating Activities
TSIC 15 (revised 2018)	Operating Leases - Incentives
TSIC 25 (revised 2018)	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders
TSIC 27 (revised 2018)	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
TSIC 29 (revised 2018)	Service Concession Arrangements: Disclosure
TSIC 32 (revised 2018)	Intangible Assets - Web Site Costs
TFRIC 1 (revised 2018)	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 4 (revised 2018)	Determining whether an Arrangement contains a Lease
TFRIC 5 (revised 2018)	Right to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
TFRIC 7 (revised 2018)	Applying the Restatement Approach under TAS 29 (revised 2018)
	Financial Reporting in Hyperinflationary Economics
TFRIC 10 (revised 2018)	Interim Financial Reporting and Impairment
TFRIC 12 (revised 2018)	Service Concession Arrangements



TFRIC 14 (revised 2018)	TAS 19 (revised 2018)-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
TFRIC 17 (revised 2018)	Distributions of Non - cash Assets to Owners
TFRIC 20 (revised 2018)	Stripping Costs in the Production Phase of a Surface Mine
TFRIC 21 (revised 2018)	Levies

Newly financial reporting standards which are effective for the fiscal year beginning on or after January 1, 2020 are as follows.

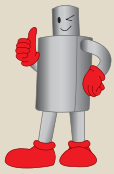
TAS 32	Financial Instruments: Presentation
TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments
TFRIC 16	Hedges of a Net Investment in a Foreign Operation
TFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

The management of the Company and its subsidiaries believe that these accounting standards, financial reporting standards, accounting standard interpretations and financial reporting standards interpretations which are newly issued and revised will not have any significant impact on the financial statements for the year when they are initially applied.

## 27. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorized for issue by the Company's Board of Directors on September 28, 2019.





investor Relation

E-Mail : [ir@wkpgroup.com](mailto:ir@wkpgroup.com)