



บริษัท เชาว์ สตีล อินดัสทรี จำกัด (มหาชน)

รายงานประจำปี 2554 Annual Report 2011

A large, three-dimensional metallic sculpture of the words 'CHOW STEEL'. The letters are made of a brushed metal material and are mounted on a dark, rectangular pedestal. The sculpture is set against a background of a bright blue sky with white clouds, a green grassy field, and a city skyline in the distance. The letters are arranged in two rows: 'CHOW' on top and 'STEEL' on the bottom. The lighting creates strong highlights and shadows, giving the sculpture a sense of depth and volume.

Contents

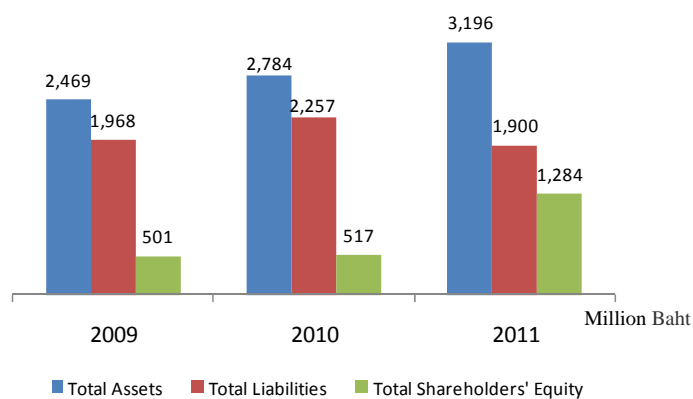
1	Financial Highlights	2
2	Message from the Chairman	4
3	Message from the Chief Executive Officer	5
4	The Board of Directors and Top Executives	6
5	Company Profile	15
6	Nature of Business Operations	17
7	Corporate Social Responsibility	24
8	Risk Factors	26
9	Shareholding Structure	30
10	Organization Structure and Management	31
11	Good Corporate Governance	48
12	Report of the Audit Committee	57
13	Internal Control	59
14	Related Party Transactions	60
15	Management Discussion and Analysis	64
16	Report on the Responsibility of the Board of Directors for the Financial Report	67
17	Report of Independent Auditor	68
18	Financial Statements	69
19	Notes to Consolidated Financial Statements	82

1 Financial Highlight

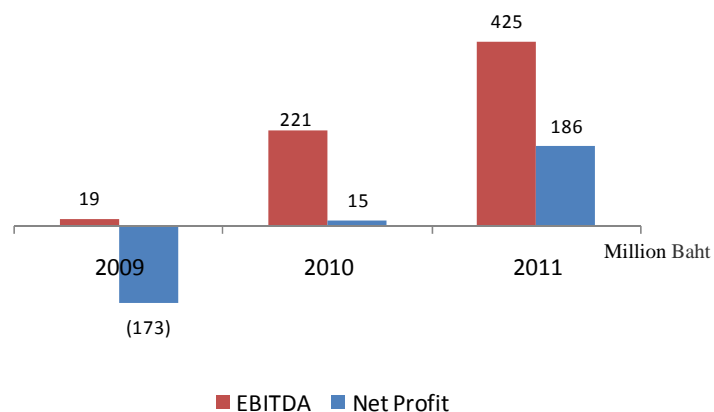
(Unit: Million Baht)

	Company- only Financial Statements 2009	Consolidated Financial Statements 2010	Consolidated Financial Statements 2011
Financial Highlights			
Operating Performance			
▪ Total Revenues	2,027.36	3,892.83	5,701.08
▪ Gross Profit	57.70	197.71	390.74
▪ Earning Before Interest, Tax, Depreciation and Amortization (EBITDA)	19.25	221.25	425.04
▪ Net Profit (Loss) – on Company's part	(173.33)	15.75	185.91
Financial Position			
▪ Total Assets	2,469.06	2,784.27	3,196.44
▪ Total Liabilities	1,967.79	2,256.91	1,900.33
▪ Shareholders' Equity	501.26	527.36	1,296.11
▪ Shareholders' Equity – on Company's part	501.26	517.01	1,283.77
▪ Registered Capital	600.00	800.00	800.00
▪ Paid-up Capital	600.00	600.00	800.00
Financial Ratios			
▪ Gross Profit Margin	2.85%	5.11%	6.87%
▪ Net Profit Margin	(8.55%)	0.41%	3.26%
▪ Return on Equity	(29.48%)	3.05%	20.65%
▪ Debt/Equity Ratio (times)	3.93	4.28	1.47
Stock Data (Baht Per Share)			
▪ Net Earning Per Share	(0.29)	0.03	0.30
▪ Par Value	1.00	1.00	1.00
▪ Book Value	0.84	0.86	1.60

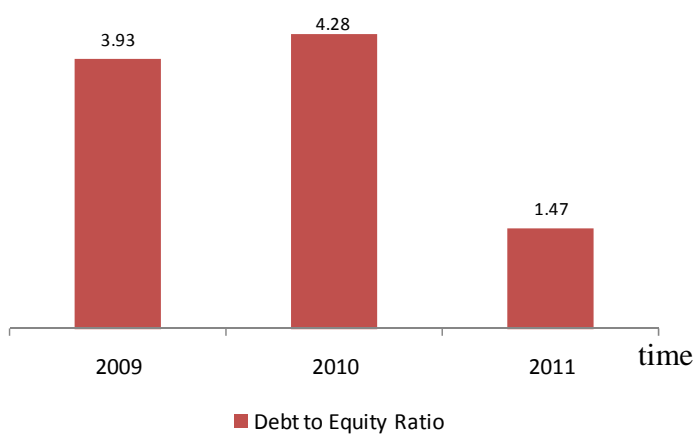
Financial Positions



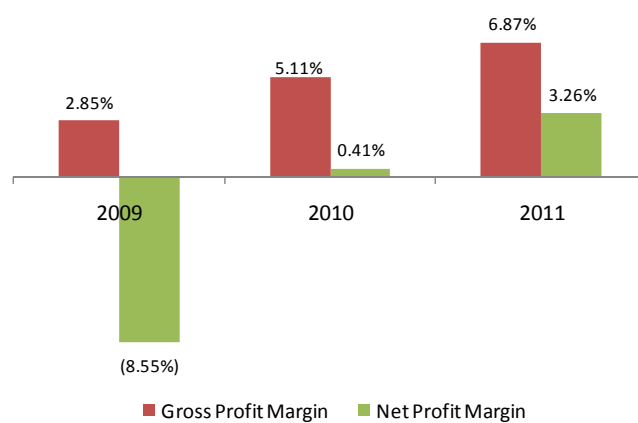
Operational Performance



Debt/Equity Ratio



Profit Margin



2 Message from the Chairman

Dear Shareholders

The year 2011 marked another milestone for the Chow Steel Industries Public Company Limited, as it has listed its stock on the Market for Alternative Investment (mai) carrying stock symbol “**CHOW**”. As a producer of steel billet which is an upstream steel product for the local industry, the Company has been committed to business operations under good corporate governance principles which are fundamental to its sustainable growth and development.

Throughout the past year, Thailand was overshadowed by several unfavorable factors – flood disaster, sovereign debt crisis in Europe and US financial crisis which had persisted and continued to hurt the global economy. These have been challenges facing the Company, necessitating it to carry out its business with due care and prudence in order to overcome such turbulent circumstances and lay a strong foundation for the Company.

Even encountering changes in many aspects, we have firmly been determined and committed to striving for developing and manufacturing steel billet with quality comparable to world standards to allow for import substitution. The company’s billet is an upstream steel product used as raw material by manufacturers of downstream steel products of various grades, thus paving way for the countries steel industry development.

On behalf of the Board of Directors, I would like to thank all our shareholders, customers, and business partners for their trust and support all along, as well as our executives and employees who have been the key driving force for the Company’s satisfactory performance and growth.



Pruchya Piumsomboon, Ph.D., P.E.
Chairman

3 Message from the Chief Executive Officer

Dear Shareholders

We have passed 2011 with notable accomplishment as **CHOW** has become a listed company on the Market for Alternative Investment (mai). This will bring several benefits to us as regards opening up additional channels for funding and issuance of financial notes, brand enhancement, higher share liquidity, and opportunity for investors to take share equity. The year 2011 also witnessed significant improvement of our operations. Total revenues increased to 5,701 million Baht, and net profit on the part of the Company 186 million Baht, representing a year-on-year growth of 46% and 1,081% respectively. This was attributable to support and cooperation from all stakeholders, especially our customers, trade partners, patrons, business alliances, directors and executives, as well as our employees. The Company has overcome the obstacles amid the global financial crisis and Thailand floods. Therefore, we have planned to give back by paying dividend at 0.10 Baht per share, or about 43% of net profit.

For 2012, we have a mission to fulfill, that is, to be the leader in manufacture and distribution of steel billets in substitution for imports, focusing on billets that meet international quality and standards. We have targeted to boost revenues by retaining the existing customer base and expanding new ones both at home and overseas. Production capacity is set to increase to 75%-80% of maximum production capacity to correspond with its sales enhancement plan and the government policy of economic stimulation.

We would like to thank our shareholders, customers, trade partners, patrons, employees and business alliances for your support and trust. We are committed to operate our business with dedication to ensure sustainable growth and efficient and transparent administration under good governance and with due regards to all stakeholders. With determination to pursue our mission, we are confident that we will be able to bring the Company to success and reach the goal set forth.



Mr. Anavin Jiratomsiri
Chief Executive Officer

4 The Board of Directors and Top Executives



Pruchya Piumsomboon, Ph.D., P.E.
Chairman of the Board of Directors



Associate Professor Dr. Narong Yoothanom
Vice Chairman,
Independent Director,
Audit Committee Member,
Chairman of the Nomination and
Remuneration Committee



Assistant Professor Kalyaporn Pan-ma-rerng
Director,
Independent Director,
Chairman of the Audit Committee,
Nomination and Remuneration Committee
Member,
Chairman of Risk Management Committee



Mr. Noppadon Jason Chirasanti
Director
Independent Director,
Audit Committee



Mr. Kanawath Aran
Director,
Independent Director,
Audit Committee Member,
Risk Management Committee Member



Mr. Sanguankiat Lewmanomont
Director,
Nomination and Remuneration Committee
Member



Mr. Mark D. Remijan
Director



Mr. Anavin Jiratomsiri
Director,
Chief Executive Director,
Chief Executive Officer,
Nomination and Remuneration
Committee Member.



Ms. Koo Man Wai
Director,
Executive Director,
Deputy Managing Director
Vice President – Procurement



Miss Sharuta Jiratomsiri
Director,
Executive Director,
Vice President - Sales and Marketing

Board of Directors Profile

Pruchya Piumsomboon, Ph.D., P.E.

Position

Chairman of the Board of Directors

Age: 59 years

Education

- Ph.D. (Operations Research), Texas A&M University, USA
- National Defense College (Class 12), Thailand
- Director Certification Program, Class 12/2001

Other Current Position(s)

- Professional Expert to the Chairman of the Election Commission of Thailand
- Advisory Director
The Federation of Thai Industries
- Subcommittee of APEC,
The Thai Chamber of Commerce
- Independent Director and Audit Committee Member
SVI Public Company Limited
- Director
Kasawadee Company Limited
- Managing Director
CIM System (Thailand) Company Limited
- Director
Piamtip Company Limited

Shareholding as of 31 December 2011 -None-

Associate Professor Dr. Narong Yoothanom

Position

Vice Chairman

Independent Director

Audit Committee Member

Chairman of the Nomination and Remuneration Committee

Age: 70 years

Education

- Doctor of Philosophy, University of Missouri of Science and Technology, USA
- Director Accreditation Program, Class 78/2009

Other Current Position(s)

- Vice President
Sripatum University
- The Inspector of National Education Standards and Quality Assessment
- The Office for National Education Standards and Quality Assessment (Public Organization)
- Chairman of Self Assessment Report, Commission on Higher Education
- Director
Pro Service Engineering Corporation
- Director
SP Uni Search Limited

Shareholding as of 31 December 2011 -None-

Assistant Professor Kalyaporn Pan-ma-rerng

Position

Director

Independent Director

Chairman of the Audit Committee

Nomination and Remuneration Committee

Member

Chairman of Risk Management Committee

Age: 59 years

Education

- Master of Business Administration, National Institute of Development Administration
- Certificate, Advanced Higher Education Management (Class 8)
- Director Accreditation Program, Class 28/2004
- Audit Committee Program, Class 13/2006

Other Current Position(s)

- Assistant Dean
Sripatum University
- Internal Evaluator
The Commission on Higher Education
- External Quality Assessment
The Office for National Education Standards and Quality Assessment (Public Organization)
- Financial and Accounting Consultant,
Ministry of Finance
- Financial Director
Ethanol and Biodiesel Club of Thailand

Shareholding as of 31 December 2011 – None-

Mr. Noppadon Jason Chirasanti

Position

Director

Independent Director

Audit Committee Member

Age: 41 years

Education

- Master of Science in Business Economics, Bentley Graduate School of Business, Waltham, Massachusetts, USA
- Master of Business Administration, St. Louis University, USA
- Director Accreditation Program, Class 78/2009

Other Current Position(s)

- Director
Mercury Nine Company Limited
- Director and Managing Director
PMD Plus Company Limited
- Director
Craftsman Records Company Limited
- Director
Revoloc Tech Company Limited

Shareholding as of 31 December 2011 -None-

Mr. Kanawath Aran**Position**

Director

Independent Director

Audit Committee Member

Risk Management Committee Member

Age: 45 years

Education

- Master of Laws, Ramkhamhaeng University
- Master of Business Administration, Sripatum University
- Director Accreditation Program, Class 78/2009

Other Current Position(s)

- Director
Siamrak Company Limited
- Manager and Legal Advisor
K & Partner Law Office
- Director and Managing Director
K & Partner Company Limited

Shareholding as of 31 December 2011 -None-**Mr. Sanguankiat Lewmanomont****Position**

Director

Nomination and Remuneration Committee

Member

Age: 36 years

Education

- Master of Science in Actuarial Sciences, concentration in Mathematical Finance, Boston University, USA
- Master of Science in Computer Information System, Boston University, USA
- Director Accreditation Program, Class 50/2006

Other Current Position(s)

- Director
Intellectual Property Management Company Limited
- Subcommittee of Trademark Appeal Board, Ministry of Commerce, Thailand
- Independent Director and Audit Committee Member
Major Development Public Company Limited
- Director and Managing Director
Manomont Real Estate Company Limited
- Managing Director and Attorney
Lewmanomont International Law Office (LILO) Company Limited

Shareholding as of 31 December 2011 -None-

Mr. Mark D. Remijan**Position**

Director

Age: 45 years

Education

- Master of Business Administration, with Honors, in Finance, The Wharton School, University of Pennsylvania, USA
- Director Accreditation Program, Class 65/2007

Other Current Position(s)

- Director of Finance
Ativa Hospitality Corporation
- Independent Director and Audit Committee Member
Builder Smart Public Company Limited
- Director of Finance
Bed Management Company Limited

Shareholding as of 31 December 2011 -None-**Mr. Anavin Jiratomsiri****Position**

Director

Chief Executive Director

Chief Executive Officer

Nomination and Remuneration Committee Member

Risk Management Committee Member

Age: 33 years

Education

- Diploma, International School, Bangkok
- State High School Equivalency Diploma
- Risk Management Seminar & Workshop, The Stock Exchange of Thailand
- Director Accreditation Program, Class 28/2004

Other Current Position(s)

- Director
VERTEX Logistics Company Limited
- Director
The Association of Thai Steel Industries
- Advisor
Thai-Europe Trade Association

Shareholding as of 31 December 2011, 51.00%

Miss Koo Man Wai

Position

Director
Executive Director
Deputy Managing Director
Vice President – Procurement

Age: 38 years

Education

- Book Keeping and Accounting, London Chamber of Commerce and Industry
- Trading Practices Studies, Lee Wai Lee Technical Institute
- Risk Management Seminar & Workshop, The Stock Exchange of Thailand
- Director Accreditation Program, Class 28/2004

Other Current Position(s)

-

Shareholding as of 31 December 2011, 5.06%

Miss Sharuta Jiratomsiri

Position

Director
Executive Director
Vice President - Sales and Marketing

Age: 34 years

Education

- Suffolk Sawyer School of Management, Suffolk University
- Risk Management Seminar & Workshop, The Stock Exchange of Thailand
- Director Accreditation Program, Class 78/2009

Other Current Position(s)

-

Shareholding as of 31 December 2011, 5.06%

Top Executives

Mr. Anavin Jiratomsiri



Director,
Executive Director,
Chief Executive Officer,
Nomination and Remuneration
Committee Member,
Risk Management Committee
Member

Profile: As in Item on Board
of Directors

Miss Koo Man Wai



Director,
Executive Director,
Deputy Managing Director,
Vice President - Procurement

Profile: As in Item on Board
of Directors

Miss Sharuta Jiratomsiri



Director,
Executive Director,
Vice President - Sales and
Marketing

Profile: As in Item on Board
of Directors

Mr. Suttichai Suraphat



Executive Director,
Deputy Managing Director,
Vice President – Finance and
Administration

Mr. Worravit Auesapsakul



Executive Director,
Vice President - Accounting

Mr. Sompop Iamsuwan



Executive Director,
Factory Plant Manager

Top Executives Profile

Mr. Suttichai Suraphat

Position

Executive Director
Deputy Managing Director
Vice President – Finance and
Administration

Age: 38 years

Education

- Master of Business
Administration,
Ramkhamhaeng University

Other Current Position(s)

-

Shareholding as of 31 December 2011

-None-

Mr. Worrawit Auesapsakul

Position

Executive Director
Vice President - Accounting

Age: 33 years

Education

- Master of Accounting,
Thammasat University

Other Current Position(s)

-

Shareholding as of 31 December 2011

-None-

Mr. Sompop Iamsuwan

Position

Executive Director
Factory Plant Manager

Age: 56 years

Education

- Bachelor of Industrial
Management, Rachabhat
Chandakasem University

Other Current Position(s)

-

Shareholding as of 31 December 2011

-None-

5 Company Profile

Details of the Company

Company name	: บริษัท เซาว์ สตีล อินดัสทรี จำกัด (มหาชน) Chow Steel Industries Public Company Limited
Symbol	: CHOW
Registration no.	: 0107552000049
Nature of business	: Production and distribution of steel billet
Head office	: 209/1 K Tower, 18 th Floor, Unit 3, Sukhumvit 21 (Asoke) Road, Klongtoey Nua, Wattana, Bangkok
Telephone no.	: 0-2260-3101-8
Facsimile no.	: 0-2260-3100
Website	: www.chowsteel.com
Factory location	: 518/1 Moo 9, Nongkee Subdistrict, Kabinburi District, Prachinburi
Branch location	: 518/3 Moo 9, Nongkee Subdistrict, Kabinburi District, Prachinburi
Registered capital	: 800,000,000 Baht (divided into 800,000,000 ordinary shares each of 1 Baht par value)
Paid-up capital	: 800,000,000 Baht (divided into 800,000,000 ordinary shares each of 1 Baht par value)

Details of Subsidiary Company

Company name	:	บริษัท เวอเทค โลจิสติกส์ เซอร์วิส จำกัด Vertex Logistics Services Co., Ltd.
Nature of business	:	In-land goods transport
Head office	:	209/1 K Tower, 18 th Floor, Unit 3, Sukhumvit 21 (Asoke) Road, Klongtoey Nua, Wattana, Bangkok
Registered capital	:	18,000,000 Baht
Paid-up capital	:	18,000,000 Baht
Shareholding by CHOW	:	40%

References

Securities Registrar	:	Thailand Securities Depository Co., Ltd. 62 The Stock Exchange of Thailand Building Rachadapisek Road, Klongtoey, Bangkok 10110 Tel: 0-2229-2800 Fax: 0-2359-1259 Website: www.tsd.co.th
Auditor	:	Miss Nongram Laohaareedilok Certified Public Accountant No. 4334 AST Master Co., Ltd. 790/12 Thong Lor Tower, Soi Thong Lor 18 Sukhumvit 55 Road, Klongtan, Wattana, Bangkok 10110 Tel: 0-2714-8842 Fax: 0-2185-0225 Website: www.astmaster.co.th

6 Nature of Business Operations

Mr. Anavin Jiratomsiri established Chow Steel Industries Co., Ltd. (“CHOW”) in November 2003 to manufacture and distribute steel billets to rolling mills, both domestically and overseas, for further rolling into long products such as round bar, deformed bar, and wire rod, etc. Scrap is used as major raw material in the manufacturing process applying the electric induction furnace (EIF) technology. Its factory is located in Kabinburi Industrial Estate, Prachinburi.

Background and Major Development of the Company

2003	:	Chow Steel Industries Co., Ltd. was established with an initial registered capital of 400 million Baht to produce and distribute steel billets.
2004	:	Started construction of the factory which is located at No. 518/ Moo 9, Nongkee Subdistrict, Kabinburi District, Prachinburi.
2005	:	Received a Promotion Certificate no. 1337(2)/2548 from the Board of Investment (BOI) for manufacturing steel billets under phase 1, thereby the Company has been granted corporate income tax holiday for 8 years and 50% reduction of corporate income tax on net profit earned from the promoted activities for 5 years.
	:	Started commercial production of phase 1 factory with a maximum production capacity of 250,000 tons per year.
2007	:	Received a Promotion Certificate no. 2228(2)/2550 from the BOI for manufacturing steel billets under phase 2, thereby the Company has been granted corporate income tax holiday for 8 years and 50% reduction of corporate income tax on net profit earned from the promoted activities for 5 years.
2008	:	Obtained the ISO 9001:2000 Certificate from the Bureau Veritas Certification for the Manufacturing of Steel Casting. The certificate expired on 28 December 2010.
	:	Increased paid-up capital to 600 million Baht via rights issue to the existing shareholders, the proceeds from which would be used for construction phase 2 factory.

	: Started production of Phase 2 factory with a maximum production capacity of 480,000 tons per year, thus making up a total production capacity of 730,000 tons per year.
2009	: Became a member of London Metal Exchange (LME), which is a world futures market, under the name of CHOW KABINBURI. Its SWORD Codes shall be called differently depending on the location of the warehouse: CHOWFE for Far East contracts and CHOWME for Mediterranean contracts.
	: Registered as a public company limited under the name “Chow Steel Industries Public Company Limited” and changed its par value from 100 Baht per share to 1 Baht per share.
2010	: Acquired ordinary shares of Vertex Logistics Services Co., Ltd., which operates in-land goods transport business, in a total amount of 7.2 million Baht, representing 40% of paid-up capital of 18 million Baht, in order to boost the Company’s logistic service potential in delivering its products to the customers.
	: Obtained the ISO 9001:2008 Certificate from the Bureau Veritas Certification for the Manufacturing of Steel Casting which is due to expire on 28 December 2013.
2011	: Registered a branch located at No. 518/3 Moo 9, Nongkee Subdistrict, Kabinburi District, Prachinburi.
	: Increased paid-up capital to 800 million Baht by initial public offering in a total amount of 200 million shares, and listed its stock on the Market for Alternative Investment (mai) on 21 December 2011.

Business Overview

Chow Steel Industries Public Company Limited (“CHOW” or “the Company”) engages in production and distribution of steel billets using scrap as major raw material. CHOW has employed imported production technology well accepted globally. Steel billet production process encompasses three steps: First, scrap is prepared. Second, the scrap is then melted in the electric induction furnace (EIF) with required elements added to enhance the characteristics and quality of the steel according to customers’ demand. Last, the steel is cast into billet. The EIF technology will transform electricity energy into heat to melt iron and steel. The advantage of the induction furnace is a clean, energy-efficient and well-controllable melting process compared to most other means of metal melting. The Company’s customers use billet to manufacture round bar, deformed bar, and wire rod. These long products are mainly used in small and medium construction works such as residential and commercial units as well as other general construction works, including machine tools, auto parts and other appliances and large-scale constructions that require steel products of high strength, such as bridges, dams, expressways, and structures that need to tolerate high compression, as well as tall buildings.



At present, the Company has a factory to produce steel billet and a branch located in Kabinburi Industrial Estate, Prachinburi Province, on a total land area of around 70 rai. Initially, the factory had maximum billet production capacity of 250,000 tons per year and later increased the capacity by 480,000 tons per year in the phase 2 factory, thus making up a total production capacity of 730,000 tons per year (maximum capacity as requested for permit in the Environmental Impact Assessment Report or EIA Report). However, as the Company needs to manage and control electricity costs, it has the policy to produce steel billet only during off-peak periods, in order to keep electricity costs lower than that during the peak periods. The two factories of the Company are accordingly running at maximum combined capacity of 450,000 tons per year during off-peak periods at present. Its major customers are rolling mills that have no blast furnace and rolling mills that have their own blast furnace but with inadequate production capacity and hence relying on billets from external sources. Besides, the Company has

become a member of the London Metal Exchange (LME), a world leading futures market, allowing for its exports of products to the global market, such as ASEAN, and reflecting international acceptance of its product quality. This can help boost the Company's image and reputation as well as its products in overseas markets.

Revenue Structure of the Company and Its Subsidiary by Type of Products

Types of products	Operated by	Company-only financial statements		Consolidated financial statements			
		2009		2010		2011	
		Million Baht	%	Million Baht	%	Million Baht	%
<u>Steel products</u>							
- Steel billet SR 24	the Company	1,058.88	52.23%	1,405.78	36.11%	1,928.50	33.83%
- Steel billet SD 30	the Company	964.98	47.60%	1,244.33	31.96%	3,364.34	59.01%
- Steel billet SD 40	the Company	0.34	0.02%	-	-	71.61	1.26%
- Steel billet 3 SP	the Company	-	-	90.47	2.32%	-	-
- Steel billet 5 SP	the Company	-	-	1,094.50	28.12%	305.67	5.36%
- Steel billet SS 400	the Company	-	-	36.15	0.93%	9.66	0.17%
Total Revenues from sales		2,024.20	99.84%	3,871.23	99.45%	5,679.78	99.63%
Transport service income	Subsidiary	-	-	1.34	0.03%	5.44	0.10%
Other revenues	Company&Subsidiary	3.16	0.16	20.25	0.52%	15.86	0.28%
Total revenues		2,027.36	100.00	3,892.83	100.00	5,701.08	100.00

Description of Product and Service

The Company is a producer and distributor of steel billet of several grades up to the customers' needs by adjusting chemical composition, such as carbon, silicon, and manganese, etc. during the melting process. The Company produces several dimensions and lengths of products by using different sizes of casting crucible and has the billet cut into different lengths by automatic cutting machine to serve the needs of both small and large rolling mills. Product specifications and production details are marked on the products for easy tracking.

The Company's billet will be distributed to rolling mills for further production of long products which are divided according to properties and application purposes into two types, as below:

1) Billet for production of round bar

Billet for production of round bar, i.e. SR 24, with the sizes of 100x100 mm., 120x120 mm. and 150x150 mm., and the length of 6-12 meters. This type of billet has high strength and elasticity. Normally, round bar is used in construction industry for medium and small buildings such as house, commercial building, and general construction, etc.

2) Billet for production of deformed bar

Billet for production of deformed bar, i.e. SD 30 and SD 40, with the sizes of 100x100 mm., 120x120 mm. and 150x150 mm., and the length of 6–12 meters. This type of billet has high strength due to high carbon content, but has less elasticity. Deformed bar has ridges along the surface, which makes it adhere better. Normally deformed bar is used in large construction and reinforced concrete works such as bridge, dam, expressway, and construction works that can tolerate high compression, or high building, etc. At present, steel with high carbon is widely used owing to its high strength against applied load and thus helps cut costs with less use of steel.

Competitive Advantages of the Company

- The Company has maximum billet production capacity of 730,000 tons per year. Therefore, it can expand its production to serve the growing demand for billet following the government policy to promote investment and reduce dependency on imported billets in order to minimize the country's trade deficits.
- The Company's policy is to operate business that is not in competition with our customers. We focus on producing steel billet for distribution to our customers for further rolling into long products. With this policy in place, we have gained trust and confidence from our customers as evident from the continued purchasing orders placed by our customers.
- The Company is able to offer product of various grades, sections and lengths to meet the needs of diverse groups of customers.
- The Company produces quality products using modern machinery and efficient production process. We have obtained ISO 9001:2000 Certificates from the Bureau Veritas Certification since 2008. Presently, it is ISO 9001:2008.
- The Company is one of the two steel billet producers in Thailand listed as members of the London Metal Exchange (LME) which is a world leading futures market. This reflects international acceptance of our product standards that reassure the quality and image of the product, enabling the Company to expand distribution channels both at home and overseas. The Company may distribute directly to the customers and/or through the LME.
- The Company has applied a program called SAP, which is an enterprise resource planning (ERP) system, enabling the management to have access to and examine information promptly and accurately for efficient business administration and decision-making.
- The Company has invested in Vertex Logistics Services Co., Ltd. and contracted Vertex to deliver the Company's products to customers for 5 years in a bid to improve logistic potential, thus enabling the Company to use Vertex as a distributor to deliver the products in time.
- The Company's factory is located in Kabinburi Industrial Estate, Prachinburi, which has advantages of availability of utilities and transportation system, close proximity to raw material sources, and product distribution convenience by land and sea. In addition, the Provincial Electricity Authority, Kabinburi, supports by offering 10% discount on the Company's monthly electricity bill for five years starting from the income earning date.

- The Company's factory is located in Prachinburi which is designated as Investment Zone 3 under the BOI promotion. The Company has been granted two promotion certificates with key privileges such as exemption from corporate income tax for eight years as from the income earning date, 50% reduction of corporate income tax for the next five years after the end of the corporate income tax holiday, allowance of deductibles two times the actual transportation, electricity and tap water expenses for 10 years as from the income earning date, etc.

7 Corporate Social Responsibility (CSR)

CSR Policy

Management of quality and safety of occupational health and environment are considered vital and instrumental to business operations. CHOW has thus encouraged all work units to adhere to such principles rigorously and consistently in parallel to organization development to become a high performance organization. Guidelines are as follows:

1. Focus on total quality management organization-wide with efficient work process to deliver products and services that meet customers' satisfaction.
2. Comply with relevant laws and regulations on quality and safety of occupational health and environment as basic requirements.
3. Consider safety as top priority in performance of duties, with focus on managing risk and controlling losses from accidents or fire, and damage of assets, as well as preventing security violations according to international standards.
4. Maintain proper occupational health and workplace environment in order to prevent accidents, injuries and illness in relation to work performance.

CSR Activities

CHOW operates its business with awareness of responsibility for the environment, society, and the community or CSR as an integral part in business operations, which must be taken rigorously and continually. In 2011, the Company supported activities conducted by the government sector, private sector, and the community in the vicinity in Kabinburi Industrial Estate, Prachinburi Province. Here are some of the social activities in 2011:

▪ Education

The Company has pursued educational development for children and youth with cooperation from teachers of schools in the areas of Nongkee district, Thungpho district, Nadee municipality, the government sector and government officials in Prachinburi Provincial Education Office. Activities included renovation and improvement of schools to become sources of knowledge, scholarships for needy students with distinctive education results, thus giving them educational opportunities in the hope that these students will become the force in future development of the society and the community. In 2011, the Company provided scholarships for Prachinburi police officers' children.

▪ Environment

The Company has placed importance to efficient manufacturing process to reduce environmental impact. Emphasis is put on environmental problems that may affect community. In 2011, the

Company joined hands with the government and private sectors, teachers, students and people in nearby communities to participate in environmental conservation activities.

■ Society

The Company believes that living in harmony is based on the environment where everyone in the community has sufficient income and occupation to support each other and live together in a sustainable manner. The Company has supported community farming development projects that are environmental friendly and dissemination of knowledge on community products. We sought cooperation from government agencies in the area, namely the District Agriculture Office, the District Land Development Office, and the Community Development Office in Prachinburi. Activities in 2011 included donating boats and pumps through the Prime Minister's Office to help the flood victims, providing subsistent kits and money to the flood victims in Prachinburi, and donating boats for public use in Chachoengsao.

■ Religion

The Company has constantly joined the community's activities in religious events and traditional celebrations, by making merits such as robe offering to monks, and supported construction or renovation of temples and public buildings, for example, renovation and repair of the abbot cubicle of Nang Leng Temple, Kabinburi District, Prachinburi, and robe offering ceremony at Ban Khoke Temple and Ban Thod Temple.

■ Sports

The Company has set aside budget to support health promotion and health education activities in nearby community to build relationship and unity in the community, and supported and promoted sports activities of the people and agencies in the locality, such as organizing football match, sports day, etc., with the purpose of fighting narcotic drugs.



National Children's day



Robe offering to monks at Ban Thod Temple, Prachinburi



Cleaning day at flooded area



Providing subsistent kits to the flood victims



Sports day



Annual health check-up of employees



Annual fire drill

8 Risk Factors

1. Raw material risks

1.1 Risk from fluctuation in raw material price

Scrap is major raw material for use in the melting and casting into steel billet, constituting around 70%–80% of total production cost. Therefore, fluctuation in scrap price might have direct impact on cost of production of the Company. In general, price of scrap sold domestically tends to change according to world's steel and scrap trading prices.

Well aware of impact of such risk, the Company has no policy to hold scrap for speculation. Normally, scrap is procured around 1–2 times the monthly volume required for billet production and additionally procured upon receiving customers' purchase orders (matching orders), which will help the Company determine the selling price in line with cost and the market conditions at the moment. Moreover, the Company will closely monitor the changing prices of both steel billet and raw materials, enabling the management to forecast the situations, price trends and demand for products both at home and overseas. Scrap will be kept in inventory to the least volume when billet selling prices are likely to drop. Based on experience and close relationship with suppliers, the Company is able to adjust the scrap inventory plan and production plan in pace with the situations.

1.2 Risk from raw material procurement and dependence on suppliers

Scrap is the major raw material for the Company's production. In 2011, the Company purchased scrap from top five suppliers, representing aggregately 90% of total scrap requirement. This could cause scrap procurement vulnerability if demand for scrap exceeds the volume in hand, or if the suppliers fail to supply and deliver the scrap to the factory in time. Under the circumstance that scrap cannot be acquired in time of production plan, the factory could be faced with temporary shortage of raw material. On another scenario, scrap price may increase to a level that lessens the Company's competitiveness compared with producers using imported steel billets. All these factors might affect the Company's operating performance and financial status.

However, it is expected that the impact from the above factors is minimal because there are but a handful of billet and long product producers that have their own furnaces. No scrap shortage is foreseeable under normal situations. Moreover, for the past years, the Company has never experienced any difficulties securing scrap supply. It has established good relationships with all scrap suppliers for a long time to date, and has never failed to pay bills. The Company has also procured some scrap from overseas to build relationship and ensure readily alternative source in case

of domestic scrap shortage. The Company has kept close watch of the scrap demand situations and trends, set a scrap inventory policy and work out a clear production plan to mitigate risks.

2. Marketing and distribution risks

Most risks stem from billet price fluctuations. The Company produces steel billets for further rolling into long products, e.g. round bars and deformed bars. Generally, demand for and supply of billets relates with construction industry which uses long products as the main raw material. Billet is classified as a commodity product, thus its price would change in line with demand for consumption and production capacity both at home and overseas. Global market prices, such as those in the East Asia, have been highly volatile since 2007, hence possible impacts on the operating performance and financial status of the Company.

The Company has realized such risk, and has a policy to produce billets to the orders of the customers, enabling it to set the selling price in line with its cost of goods sold and the market condition at the moment. Besides, the Company has closely monitored changes in billet prices, taking into account economic conditions, construction industry outlook, and information sought from the customers, in order to forecast demand for long products which have effects on demand for steel billets. All information will then be compiled to support decision-making on production, sales, and inventory plans in line with the situations and demand, in order to mitigate risks.

3. Government policy change risks

Steel industry in Thailand mainly serves as import substitution. It has been developed to serve demand of domestic downstream steel industry, the products from which are basic raw materials of several related industries. Thus, steel industry greatly relates with the country's economy as a whole. Therefore, the government has placed great importance and has set out measures on domestic steel industry as follows:

1) ASEAN Free Trade Area (AFTA)

Association of Southeast Asian Nations or ASEAN had agreed on the reduction of tariffs under Common Effective Preferential Tariff (CEPT) scheme, whereby the six existing member countries (Brunei Darussalam, Indonesia, Malaysia, Philippines, Singapore and Thailand) and the four new member countries (Vietnam, Laos, Myanmar and Cambodia) are required to reduce tariffs under CEPT scheme to 0% by 2010 and by 2015, respectively.

List of goods entitled under CEPT scheme covers a total of 105,123 items, including iron and steel which meet the production process criteria whereby the products have adequately been processed in home country. Steel billet, steel bar and deform bar are subject to cuts of tariffs under

CEPT to 0% by 2010. At present, Thailand has set tariff rates of 2% – 5% on products from ASEAN counterparts depending on product type and size. Thus, prices of imported steel bar tend to go down in the future, while billet, which can be produced by the Company, could be imported freely without any import tariff as domestic production cannot adequately fulfill domestic demand. However, importing billets has constraints in delivery time, operating expense, and minimum volume per purchase order, end-use producers thus still prefer domestic billets to imported ones. Therefore, the Company has expected no negative impact from such measure. On the contrary, domestic producers will have advantage and better opportunity to penetrate the ASEAN market as Malaysia, Philippines and Vietnam who have in the past charged imported steel billets from Thailand will have to lift tariff barrier against Thai billets by the set deadline.

Even if the no-tariff measure and policy be terminated in future for whatever reasons, impacts on the Company are minimal, as domestic producers of billets have for the past years been unable to fully meet domestic demand, necessitating imports of billets all along. Imported billets carry very high transport costs and take longer time of delivery as compared with domestic products.

2) Investment promotion policy for intermediate steel industry

The Board of Investment (BOI) has announced guidelines to support investment in steel industry in a bid to develop high quality steel, boost competitive advantage of related industries, and promote Thailand as the hub of steel production and export of the region. BOI privileges and benefits have been granted to the intermediate steel production business according to the criteria in the BOI Notification No.1/2000 dated 1 August 2000. In this regard, as the Company's factory is located in Prachinburi Province, which is in Investment Promotion Zone 3, the Company has been granted privileges and benefits such as corporate income tax holiday for eight years, 50% reduction of corporate income tax for the next five years after the end of tax holiday, allowance of deductibles two times the actual transportation, electricity and tap water expenses for 10 years, etc. If the government terminates or changes the said privileges and/or if the privileges expire or are terminated in the future, the Company's operating performance and income generation capabilities may be affected.

The Company is confident that the government will not change or terminate the privileges for promoted businesses so far as investors' confidence is concerned. However, the Company might be affected by the expiration of the promotional period and/or the maturity of the promotional line amount. The phase 1 and phase 2 factories have been entitled to privileges since December 2005 and July 2008, respectively. The corporate income tax holiday is due to expire in eight years as from the date of obtaining the privileges, and the Company has been granted corporate tax holiday in an amount not exceeding its investment cost of 644 million Baht and 410 million Baht for the phase 1 and phase 2 factories, respectively. During the promotional period, if the Company records a net profit exceeding the said amount, the privileges will come to an end prior to the expiry date.

However, the BOI has resolved to grant additional privilege to any promoted company that has been listed on MAI during the BOI promotional period. The privilege of income tax holiday, with amount limited according to amount of investment cost, has now changed to unlimited amount regardless of amount of investment cost. To be entitled to this privilege, such company is required to file application to BOI by 31 December 2012. If the Company could meet the BOI requirements, it would be entitled to receiving the tax privilege without limitation of the amount. Therefore, if the Company has posted a net profit during the promotional period exceeding the amount limit, it will still be entitled to corporate tax exemption in the entire amount, hence positive contribution to its operating result.

4. Financial risks

4.1 Foreign exchange risk

In 2011, the Company procured raw materials such as scrap, chemicals, and spare parts from abroad for its own operations accounting for 5% of total procurement value. It also exported billets around 6% of total revenue. Thus, the Company is exposed to foreign exchange risk.

The Company has a policy to prevent such risk by entering into forward contracts with a number of financial institutions, including hedging funds provided by domestic financial institutions. The Company will closely monitor and follow up foreign exchange movements and seek proper timing for the transactions to ensure maximum benefits to the Company.

9 Major Shareholders

Name list of top 10 shareholders as appeared in share register as of 16 January 2012:

Names	No. of shares held	Shareholding proportion
1. Jiratomsiri Group ^{1/}	510,000,000	63.75%
2. Hansaward Group ^{2/}	33,700,000	4.21%
3. Mrs. Kamolrut Jitpradabsilp	17,900,000	2.24%
4. Ms. Preeyanut Panananda	17,100,000	2.14%
5. Mr. Ukrit Tantasathien	16,650,000	2.08%
6. Millcon Steel Industries Plc.	10,000,000	1.25%
7. Mr. Nattapong Phanratanamongkol	7,000,000	0.88%
8. Mr. Thiradej Promsarin	7,000,000	0.88%
9. Mr. Kanit Phungprakarn	5,000,000	0.63%
10. Mr. Thanin Ratanasiriwilai	3,700,000	0.46%
Total	628,050,000	78.51%

Notes:

1/ Jiratomsiri Group consists of (a) Mr. Anavin Jiratomsiri holding 408,000,000 shares, (b) Ms. Sharuta Jiratomsiri holding 40,500,000 shares, (c) Ms. Koo Man Wai holding 40,500,000 shares, and (d) Ms. Kanyakorn Pongpanish holding 21,000,000 shares.

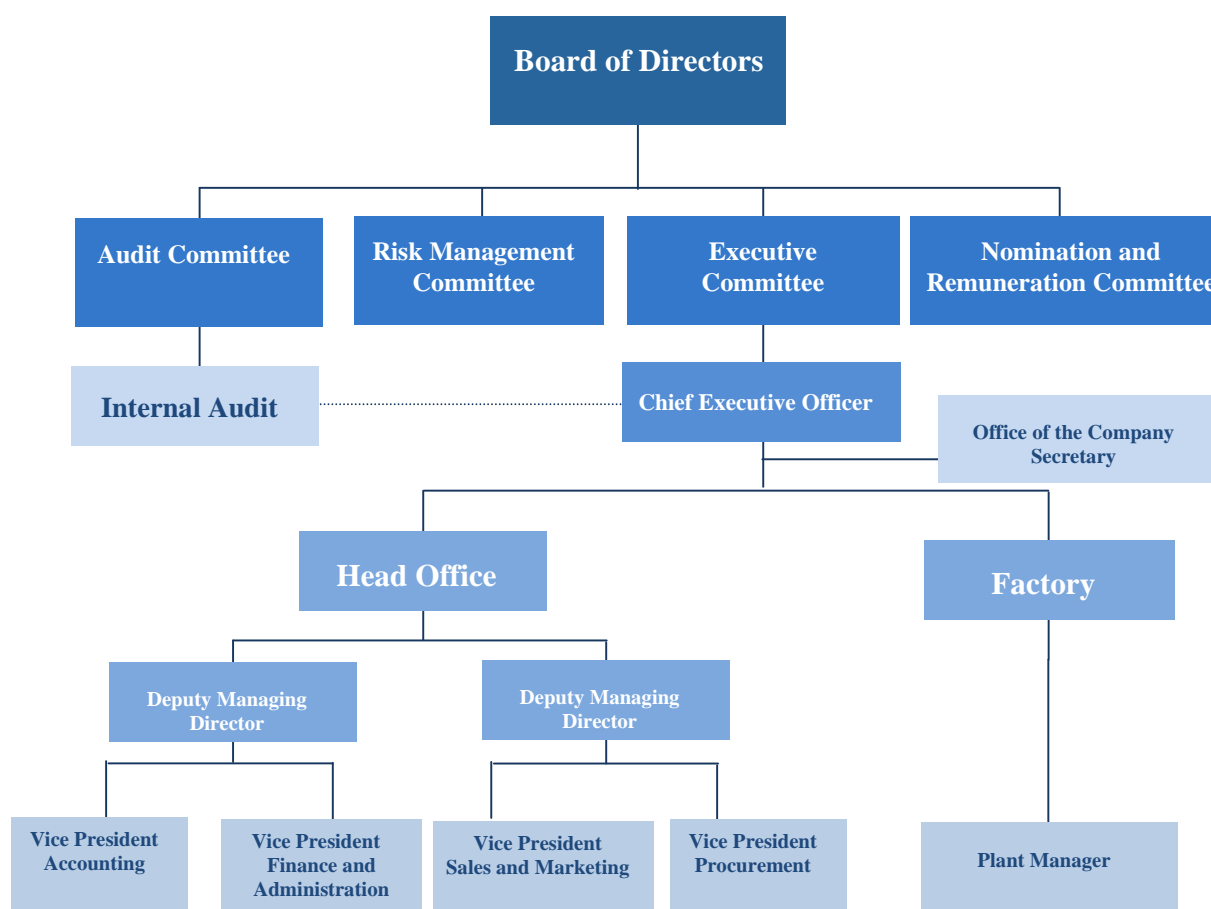
2/ Hansaward Group consists of (a) Ms. Rosalind Hansaward holding 18,800,000 shares, and (b) Mr. Dome Hansaward holding 14,900,000 shares.

Dividend Policy

The Company has a policy to pay dividend at not less than 40% of net profit after corporate income tax in the Company's company-only financial statements and after legal reserve and other reserves as determined by the Company. However, the actual dividend payment may differ from such dividend policy, depending on its operational performance, financial position, investment plan, and other rationales and factors in the future as deemed appropriate by the Board of Directors and/or the shareholders.

Vertex Logistics Services Co., Ltd. ("subsidiary company") has a policy to pay dividend at not less than 40% of net profit after corporate income tax in the subsidiary company's company-only financial statements and after legal reserve and other reserves as determined by the subsidiary company. However, the actual dividend payment may differ from such dividend policy, depending on its operational performance, financial position, investment plan, and other rationales and factors in the future as deemed appropriate by the Board of Directors and/or the shareholders of the subsidiary company.

10 Organization Structure and Management



The Company has organized its management structure in accordance with the good corporate governance principles, comprising the Board of Directors, the Audit Committee, the Executive Committee, the Nomination and Remuneration Committee, and the Risk Management Committee, with the following details (as of 31 December 2011):

	Board of Directors 10 members	Audit Committee 4 members	Executive Committee 6 members	Nomination and Remuneration Committee 4 members	Risk Management Committee 3 members
Dr.Pruchya Piumsomboon	O				
Associate Professor Dr. Narong Yoothanom	X I	/		O	
Assistant Professor Kalyaporn Pan-ma-rerng	I	O *		/	O
Mr. Noppadon Jason Chirasanti	I	/ *			
Mr. Kanawath Aran	I	/ *			/
Mr. Sanguankiat Lewmanomont	/			/	
Mr. Mark D. Remijan	/				
Mr. Anavin Jiratomsiri	/		O	/	/
Miss Koo Man Wai	/		/		
Miss Sharuta Jiratomsiri	/		/		
Mr. Suttichai Suraphat			/		
Mr. Worravit Auesapsakul			/		
Mr. Sompop Iamsuwan			/		
Note :-	O Chairman / Director	X Vice Chairman * Audit Committee member with finance and accounting expertise	I Independent Director		

Miss Sirirat Khongpeng is the Board Secretary and Company Secretary; and Miss.Pacharakan Thasakorn is Secretary of the Audit Committee.

1. Board of Directors

Authorized Director pursuant to Certificate of Corporation

Directors authorized to sign on behalf of the Company are two of the three directors as follows: Mr.Anavin Jiratomsiri or Ms.Koo Man Wai or Ms.Sharuta Jiratomsiri, to co-sign documents with the Company seal affixed.

Scope of duties and responsibilities of the Board of Directors

1. Organize an Annual General Meeting of Shareholders within four months from the final day of the Company's fiscal year.
2. Organize a Board meeting at least once every three months, with all Board members required to attend, and hold any special Board meeting in addition thereto as considered necessary.
3. Prepare an Annual Report and take responsibility for preparation and disclosure of duly audited financial statements to reflect the Company's financial position and operational performance in the previous year, and present them to the Annual General Meeting of Shareholders for their approval.
4. Have power and responsibility for performance according to the objectives and Articles of Association of the Company, as well as the resolutions of the shareholders' meetings, with integrity and accountability in the interests of the Company and the shareholders.
5. Determine goals, directions, policies, plans and budget of the Company; monitor and supervise the performance and administration of the Executive Committee to ensure that it is in accordance with the policies, and maximize economic value added to the Company and returns to the shareholders.
6. Have power to scrutinize and approve the policies, directions and action plans for the Company's large investment projects proposed by sub-committees and/or the management.
7. Monitor and ensure that the Company has complied with the law on securities and exchange and the rules and regulations of the Stock Exchange of Thailand (SET), such as connected transactions, acquisition and disposal of assets as per the criteria of the Capital Market Supervisory Board or the SET or other laws relevant to the Company's business.
8. Consider and have power to determine organization structure, appoint, assign or advise the sub-committee or the working group to consider or perform any tasks as the Board may deem appropriate.
9. Monitor and follow up the operational results to ensure consistency with the work plan and the budget plan, and follow up the business operations and performance of the management on a regular basis to ensure that the Company's effective operations.
10. The members of the Board shall not operate any business which has the same nature as and is in competition with the business of the Company, or not become a partner in an ordinary partnership or a partner who has unlimited liability in a limited partnership or is not board member of private company or other company operating business which has the same nature as and is in competition with the business of the Company, either for his own benefits or other person's benefits, unless the Annual General Meeting of Shareholders has been informed prior to the appointment.
11. The members of the Board shall notify the Company without delay if they have a stake, either directly or indirectly, in the Company's contract or when they decide to reduce or increase the number of shares or debentures held in the Company or its subsidiary company.

12. Be responsible for the shareholders and perform duties to protect the shareholders' optimum benefits, as well as disclose to the shareholders complete and accurate information up to standards and with transparency.
13. Put in place internal audit measures, and establish an efficient internal control system, risk management system, and reliable financial reports, with Internal Audit Office designated to monitor and fulfill the tasks in coordination with the Audit Committee.
14. Have power to approve any relevant and necessary matters relevant to the Company or as deemed appropriate for the benefits of the Company.

2. Audit Committee

Scope of duties and responsibilities of Audit Committee

1. Have power to invite the management or the officers of the Company to attend the meeting in order to clarify, provide an opinion, or provide the documents as requested and as necessary.
2. Consider, select, and nominate an independent person to serve as the Company's auditor and propose remuneration for such person in order to get an approval from the Company's shareholders' meeting, as well as evaluate the performance of the auditor.
3. Acknowledge other non-audit operations and the remuneration in relation thereto to ensure independence of the auditor.
4. Consider and make decision in case the management and the auditor have contrasting opinions on the financial reports.
5. Consider the disclosure of connected transactions or transactions with possible conflict of interest to ensure conformity to the relevant laws and regulations and that the transactions are reasonable with maximum benefit to the Company.
6. Consider and approve the appointment, removal, transfer or terminate employment, and consider performance of Internal Audit Department.
7. Consider the reports from Risk Management Committee and discuss with the management on risk management and assessment policy.
8. Attend joint meeting with the auditor, without the management's presence, at least once a year.
9. Consider the financial reports as follows:
 - Review the financial reports and ensure the accuracy and adequacy of the data acknowledged and assessed by the Audit Committee as regards the appropriateness of the accounting principles applied in the annual and quarterly financial reports;
 - Review the accounting issues and important financial reports, including the complex or unusual transactions which require judgment for making decisions;
 - Enquire the management and the auditor about the audit result, the major risks relating to financial reporting and the risk mitigation plan;

- Review the internal control system in relation to the preparation of the financial statements with the auditor and the internal auditor.
10. Consider the internal control system as follows:
- Review and ensure that the management has determined proper internal control system, internal control of information technology system, and guidelines for communicating the importance of internal control system and risk management system organization-wide;
 - Review and ensure that the management has made remedy and improvement as recommended by the auditor and the internal auditor regarding the internal control.
11. Consider the internal audit system as follows:
- Review and approve the Charter of Internal Audit Department, the annual audit plan, and also the personnel and resources necessary for the operations of Internal Audit Department;
 - Review the activity and the operation of the audit and compliance unit to ensure the independence of Internal Audit Department;
 - Review and ensure that the internal audit performance complies with the internal audit standard.
12. Have power to inspect and make enquiries about any of the following transactions or acts which might have a material effects on the Company's financial position and operational performance:
- Transactions with conflict of interest;
 - Fraud or unusual practice or material deficiency in the internal control system;
 - Violation of the law on securities and exchange, regulations of the SET and the laws relevant to the Company's business.
13. Monitor compliance with rules and regulations:
- Consider regularly laws and regulations that have changed and have impacts on the Company's business operations;
 - Review the results or findings of regulatory bodies and results of remedial actions, and report the same to the Board of Directors;
 - Review the effectiveness of the monitoring system in relation to compliance with relevant laws and regulations and the remedial actions in case of non-compliance.
14. Monitor compliance with the business ethics and code of conduct for the management and the employees:
- Review and ensure that the business ethics and code of conducts for the management and the employees and the policy to prevent the conflict of interest have been made available in writing and acknowledged by the management and the employees;
 - Promote operations in compliance with the business ethics and code of conducts as well as the policy to prevent the conflicts of interest.

15. Other responsibilities:

- Perform any other act as assigned by the Board of Directors and with consent of the Audit Committee;
- Review and evaluate the Charter of Audit Committee regularly, as well as propose it for approval by the Board of Directors when there are any changes thereto;
- Prepare report of Audit Committee, duly signed by the Chairman of Audit Committee, for disclosure in the Company's annual report, containing at least the following details:
 - a. Opinion on the accuracy, completeness and reliability of the Company's financial report;
 - b. Opinion on the adequacy of the Company's internal control system;
 - c. Opinion on the Company's compliance with the law on securities and exchange, the SET's regulations and the laws relevant to its business;
 - d. Opinion on the suitability of the auditor;
 - e. Opinion on the transaction with a possible conflict of interest;
 - f. Number of the Audit Committee meeting held and attendance by the individual Audit Committee members;
 - g. Opinion or overview of observation received by Audit Committee from its performance of duties in accordance with the Charter; and
 - h. Other transactions that should be notified to the shareholders and the general investors within the scope of duties and responsibilities designated by the Board of Directors.

3. Executive Committee**Scope of duties and responsibilities of the Executive Committee**

1. Have power and duty in administering and operating the business as specified by the Board of Directors, or as approved by the Board of Directors on a case-by-case basis.
2. Have power and duty in administering the business of the Company according to the policies and work plans.
3. Have power as designated by the Board of Directors.
4. Propose the following matters for prior approval from the Board of Directors:
 - 4.1 Matters relating to the policies of the Company
 - 4.2 Matters that, if undertaken, may cause significant change to the Company's business
 - 4.3 Matters relating to legal obligations that must be performed by the Board of Directors
 - 4.4 Matters relating to the regulations that must be observed as required by the Company
 - 4.5 Matters that the Executive Committee deems appropriate to seek approval case by case; or according to the criteria set out by the Board of Directors
5. Have power and duty to run planned activities for the success of the Company and achievement of targets including:

- 5.1 Formulate and revise strategic objectives, financial plan, and key policies of the Company, and propose them to the Board of Directors for approval.
- 5.2 Examine and screen the annual business plan, capital expenditure budget, operational targets, as well as key initiatives, to achieve the set goals, and propose them to the Board of Directors for approval.
- 5.3 Examine and screen projects that will have capital expenditure exceeding the amount set by the Board of Directors, and propose them to the Board of Directors for approval.
- 5.4 Consider and approve the matters according to its delegation of authority or as authorized by the Board of Directors.
- 5.5 Review the power to perform the tasks as listed in the delegation of authority table and propose them to the Board of Directors for approval.
- 5.6 Manage and keep balance between short term and long term objectives.
- 5.7 Manage human resource development in line with the human resource strategies as endorsed by the Nomination and Remuneration Committee.
- 5.8 Monitor and report the performance and progress of work to the Board of Directors in order to accomplish the Company's objectives.
6. Consider and examine annual budget allocation before submitting to the Board of Directors for consideration and approval, including the authority to consider and approve an amendment to the annual budget, as an urgent matter, during the time no Board of Directors' meeting will be convened, which must thereafter be reported to the Board of Directors at its next meeting.
7. Approve purchase of scrap as a normal business conduct in amount not exceeding 10,000 tons per item, or not more than 200 million Baht per item, and not exceeding 60,000 tons per month, or not more than 1,200 million Baht per month.
8. Approve sale as a normal business conduct in amount not exceeding 10,000 tons per item, or not more than 350 million Baht per item, and not exceeding 60,000 tons per month, or not more than 2,100 million Baht per month.
9. Approve an expenditure for buying assets as an investment (including machinery and equipment repairs) other than that identified in the annual budget in amount not exceeding 30 million Baht.
10. Approve key investment expenditure contained in the annual budget if assigned by the Board of Directors, or as approved in principle by the Board of Directors.
11. Allocate bonus, as endorsed by the Board of Directors, to the staff or employees of the Company or any other persons having worked for the Company.
12. Appoint or assign a person or persons to act on behalf of the Executive Committee as appropriate, of whom the Board has the authority to revoke, withdraw, change or correct.

4. Nomination and Remuneration Committee

Scope of duties and responsibilities of the Nomination and Remuneration Committee

1. Provide recommendation to the Board of Directors in determination of remuneration for Chairman, directors, Chairman of the Audit Committee, members of the Audit Committee and sub-committees (if any) (for proposal to the shareholders' meeting for approval later).
2. Set up remuneration rate policy and conditions for employing the executives from the level of vice president and higher.
3. Consider and determine qualifications and suitability of person suitable for nomination as an executive from the level of vice president and higher.
4. Determine and make recommendations to the Board of Directors and monitor the operations in line with the vision and human resources strategies as well as executive development plan.
5. Select and nominate persons suitable for nomination as a director for the first time; consider performance, qualifications and suitability of the director who has completed his term of service and should be re-nominated for the Board of Directors' consideration and approval; and propose the name to the shareholders' meeting for appointment as the Company's director.

5. Risk Management Committee

Scope of duties and responsibilities of the Risk Management Committee

1. Set out risk management policy and submit to the Board of Directors for consideration in relation to overall risk management, such as strategic risks, liquidity risks, credit risks, marketing risks, operational risks, or other risks that may be significant to the Company.
2. Set out strategies for the structure and resources to be used for risk management in accordance with risk management policy of the steel industrial sector so as to effectively analyze, assess, measure and monitor the risk management procedures.
3. Set out risk limits in important different dimensions for the Board of Directors' consideration.
4. Oversee, review and recommend to the Board of Directors concerning the risk management policy, standard practices, strategies and overall risk measurement to ensure that the risk management strategies are implemented adequately.
5. All members of the Risk Management Committee shall have the duty to attend the meeting. They may be present in person at the meeting or participate by teleconference.
6. The Risk Management Committee may invite outsiders to join the meeting as necessary. The persons must be related to, or in charge of the matter for consideration at the meeting.

6. Executives

As of 31 December 2011, the Company has six executive members:

1. Mr. Anavin	Jiratomsiri	Chief Executive Officer
2. Miss Koo Man Wai		Deputy Managing Director, VP - Procurement
3. Mr. Suttichai	Suraphat	Deputy Managing Director, VP – Finance and Administration
4. Miss Sharuta	Jiratomsiri	VP - Sales and Marketing
5. Mr. Worravit	Auesapsakul	VP – Accounting
6. Mr. Sompop	Iamsuwan	Factory Plant Manager

Scope of duties and responsibilities of the Chief Executive Officer

1. Control and oversee the business operations and/or daily administration of the Company, as well as monitor and evaluate the Company's daily performance to be prepared for and prevent any risks that may be incurred from internal and external factors.
2. Undertake or act in accordance with the policy, work plan and budget approved by the Board and/or the Executive Committee of the Company.
3. Have power to approve juristic act for the Company's normal business undertaking such as purchasing, procurement of goods, expenses for normal business undertaking, investment, acquisition or disposal of machine tools, property, and services, etc. for the benefits of the Company within the approved amount limit.
4. Approve the purchase of scrap which is deemed as the Company's normal business undertaking in an amount not more than 5,000 tons per item or not more than 100 million Baht per item, and not more than 30,000 tons per month or not more than 600 million Baht per month.
5. Approve the sale of products which is deemed as the Company's normal business undertaking in an amount not more than 5,000 tons per item or not more than 175 million Baht per item, and not more than 30,000 tons per month or not more than 1,050 million Baht per month.
6. Approve the expenditures for the purchase of property in the nature of investment (including machinery and equipment repairs) other than those contained in the annual budget in an amount not more than 15 million Baht per item.
7. Be the authorized person of the Company for managing the business in accordance with the objectives, rules, policies, regulations, requirements, orders, resolutions of the shareholders' meeting and/or resolutions of the Board of Directors and Executive Committee of the Company.

8. Have power to issue an order, regulation, notification, or memorandum to direct the carrying out of work in line with the policies and in the interest of the Company as well as to maintain work discipline in the organization.
9. Have power to act and represent the Company when contacting outsiders in related and necessary business which is a normal business undertaking for the Company's benefits.
10. Undertake any other duties as assigned by the Board of Directors and/or the Executive Committee of the Company, as well as delegate his power for the above tasks to enhance flexibility in the operations.

Qualifications of the Executives

The executives of the Company would like to assure that they will uphold their morality and will undertake their work with competence, business experience, honesty and prudence to protect the interest of the Company. They are determined to run the business with understanding and accountability to the public. They are listed on the executive directory according to the Notification of the Securities and Exchange Commission No. KorJor. 5/2548 Re: Covenants in relation to the Executives of Issuing Company.

Selection of Directors and Executives

The Nomination and Remuneration Committee has the duty to select directors and executives. The selection of persons to be appointed as directors or executives is based on the following criteria and procedures.

Selection of Directors

The Nomination and Remuneration Committee will consider general qualifications and select qualified persons based on the criteria prescribed in Section 68 of the Public Company Limited Act, 1992 and relevant Notification of the Securities and Exchange Commission in accordance with the laws, as well as take into consideration other factors such as knowledge, expertise, experience related to the business and the benefits to the Company's operations, etc. The followings are criteria and procedures for the selection:

1. Directors must carry out their duties under the laws, objectives and rules of the Company as well as the shareholders' meeting resolutions.
2. The Board of Directors is composed of not less than five directors. Not less than half of the total directors shall have residence in the Kingdom. Each director shall have qualifications as stipulated by laws.
3. Of the total, at least one-third of members of the Board of Directors must be independent directors and there must be at least three independent directors. Each independent director

- may hold shares not more than 1% of the issued and paid-up registered capital of the Company and related companies, including the shares held by related persons thereof.
4. At each Annual General Meeting of Shareholders, one-third of the total directors are due to vacate the office. If the number of directors cannot be divided by three, the closest number to one-third shall apply. The method for vacating directors from office in the first and second year after the Company's registration is by drawing lots. On the following years, the directors who are in office the longest shall retire. The retiring directors may be re-elected as the directors for another term.
 5. Prior to each Annual General Meeting of Shareholders, the Company will invite all of the Company's shareholders to propose qualified candidates for nomination as the directors in place of the directors who vacate office on completion of terms. The Nomination and Remuneration Committee then list the names of the nominees for consideration in accordance with the prescribed conditions and select suitable persons for the shareholders' consideration at its annual general meeting.
 6. The Annual General Meeting of Shareholders shall appoint directors by majority vote in accordance with the following criteria and methods:
 - 6.1. One shareholder has voting right of one share per one vote.
 - 6.2. In electing a director, the meeting may either choose to vote for each director one by one, or for all directors at one time, as the meeting deems it appropriate. But in each resolution, the shareholders must cast all their votes; dividing votes to particular person or party is prohibited.
 - 6.3. Election of directors is made by majority votes. In case where the nominees received equal votes, the chairman shall have the power to cast his final vote.
 7. In the case where the directors retire due to reasons other than a retirement by rotation, the Nomination and Remuneration Committee will select and propose names of qualified persons not having prohibited qualifications according to the law on public company limited and the securities and exchange law as a replacement at the next Board meeting. The Board's resolution must consist of votes made by not less than three-fourths of the existing directors, except when the remaining terms of the directors are less than two months. The person appointed as replacing director may take office for the remaining period of the director he replaces.
 8. The Annual General Meeting of Shareholders has the right to terminate directorship of any director before his completion of term of service by not less than three-fourths votes of the shareholders who attend the meeting in person and have the rights to vote, and hold total shares of not less than half of the shares held by the shareholders who are present at the meeting and have the rights to vote.

Selection of the Audit Committee Members

The Audit Committee is composed of at least three independent directors, each with a term of service of three years, as appointed by the Board of Directors or the shareholders' meeting. The Company has the policy to select members of the Audit Committee/independent directors according to the Notification of the Capital Market Supervisory Committee No. ThorJor 28/2551 Re: Application for and Permission of Offering Newly Issued Shares. The qualifications required are detailed below:

1. Not own shares exceeding 1% of paid-up capital in the Company, the parent company, the Company's subsidiaries, associated companies, or any juristic persons that may have conflicts of interest with the Company and the related parties.
2. Not get involved in management as a director, either in the past or at present, not be an employee or corporate advisor receiving a regular salary, or having controlling power of the Company, subsidiaries, associated or related companies, or any juristic persons that may have conflicts of interest with the Company, except having retired from such work for not less two years before the date of submission made to the Office of Securities and Exchange Commission (SEC) for approval or before the date of having been appointed as a member of the Audit Committee.
3. Not relate by blood or by law such as being parents, spouse, siblings and children, including children's spouse of the executives or a major shareholder of the Company, person with controlling power, or person who will be nominated as an executive or person with controlling power of the Company or its subsidiaries (if any).
4. Have no business relationship with the Company, subsidiaries, associated, or any juristic persons that may have conflicts of interest with the Company in the manner that may obstruct the exercise of independent judgment; not being, either in the past or at present, a major shareholder, a director, but not an independent director, or an executive of the person who has business relationship with the Company, subsidiaries, associated, or any juristic persons that may have conflicts of interest with the Company, except having retired from such work for not less two years before the date of submission made to the Office of the SEC for approval or before the date of having been appointed as a member of the Audit Committee. The above-mentioned relationship includes normal conduct of commercial transactions, renting or letting property, transactions relating to assets or services, or providing or receiving financial assistance by receiving or giving loans, guarantee, mortgage, including other acts of the same nature which would oblige either the Company or its contracting party to pay debts to the other party in a proportion of 3% of the Company's net tangible assets or from 20 million baht or more, whichever amount is lower. The calculation of this debt burden must be according to the method for calculating value of connected transactions as prescribed by the Notification of the Capital Market Supervisory Board on the criteria for connected

transactions *mutatis mutandis*. But in determining the said debt burden, the debts that have incurred during one year prior to having established business relationship with the same person must be taken into account.

5. Not be, either in the past or at present, an auditor of the Company, subsidiaries, associated, or any juristic persons that may have conflicts of interest with the Company; not being a major shareholder, a director, but not an independent director, an executive or managing partner of auditing firm to which the auditor of the Company, subsidiaries, associated, or any juristic persons that may have conflicts of interest is attached, except having retired from such work for not less two years before the date of submission made to the Office of the SEC for approval or before the date of having been appointed as a member of the Audit Committee.
6. Not be, either in the past or at present, a provider of professional services which shall include legal advisory service or financial adviser whose service fees are more than two million Baht per year obtainable from the Company, subsidiaries, associated, or any juristic persons that may have conflicts of interest. In the case the provider of professional services is a juristic person, it shall include the major shareholder, a director, but not an independent director, an executive or managing partner of that provider of professional service, except having not involved in such manner for not less than two years before the date of submission made to the Office of the SEC for approval or before the date of having been appointed as a member of the Audit Committee.
7. Not be a director appointed to represent the director of the Company, major shareholder, or shareholders having related with the Company's major shareholders.
8. Not employ any other characteristics which make him incapable of expressing views independently concerning the Company's business operations.
9. Not be a director who has been assigned by the Board of Directors to make operational decisions in the corporate headquarters, associated companies, subsidiaries at the same level as associated companies, or juristic person that may potentially be in conflict with the Company.
10. Not be a director of corporate headquarters, associated companies, subsidiaries at the same level as associated companies, in particular a registered company.
11. Have knowledge and expertise to perform the duties of the Audit Committee. There shall be at least one member of the Audit Committee who has knowledge and experience in accounting and/or finance in order to review and judge the reliability of the financial statements.

The criteria and procedures for appointing members of the Audit Committee are according to the criteria and procedures for appointing the Board of Directors. Member of the Audit Committee who has retired on completion of terms may be re-appointed. In the case where the members retire due to reasons other than a retirement by rotation, the Board of Directors or the persons appointed by the shareholders' meeting will appoint qualified persons as members of the Audit Committee to fulfill the membership as prescribed by the Board of Directors. The person appointed as replacing member

may take office for the remaining period of the director he replaces. The Company has the duty to inform the SET as and when the members of the Audit Committee resign or have been dismissed.

Selection of the Executive Directors

The Board of Directors appoints Executive Directors by selecting from the directors or the Company's executives competent in daily operations and management of the Company. The Executive Directors must be able to set out policies, business plan, budget plan, management structure, including inspection and monitoring of the performance of the Company in line with the policies laid down by the Board of Directors.

Selection of the Members of the Nomination and Remuneration Committee

The Board of Directors appoints members of the Nomination and Remuneration Committee by selecting from the Company's directors. There shall be at least three members, each of whom will have a term of service for three years. The members are responsible for selecting and proposing qualified persons to be the directors for the first time. The members also are tasked to examine the performance, qualifications and suitability of the retired members who should be re-elected, and propose to the Board of Directors for its approval, followed by seeking endorsement from the shareholders' meeting for an appointment of the Company's directors. The members have the duties to recommend to the Board of Directors concerning remuneration rates for the Chairman and the Company's directors before proposing to the shareholders' meeting for approval. The members also set out remuneration rate policy and conditions for employing the executives from the level of vice president and higher.

Selection of the Members of the Risk Management Committee

The Board of Directors is tasked to appoint members of the Risk Management Committee by selecting from the Company's directors. There shall be at least three members, each of whom will have a term of service for three years. The members are responsible for setting out risk management policies and proposing them to the Board of Directors for consideration in regards to overall risk management such as strategic risks, liquidity risks, credit risks, marketing risks, operational risks, or other risks that may be significant to the Company. The members will supervise, revise and recommend to the Board of Directors concerning the risk management policy, standard practices, strategies and overall risk measurement to ensure that the risk management strategies are implemented adequately.

Selection of the Executives

The Nomination and Remuneration Committee is tasked to examine qualifications and suitability of the personnel who have experience and capability in management in the related fields to be appointed as vice president and higher. It will propose to the Board of Directors and/or the persons assigned by the Board of Directors for the appointment.

Directors' and Executives' Remuneration

Directors' and executives' remuneration in 2011 is as follows:

Monetary Remuneration

- Directors' remuneration

By the resolution of the 2011 Annual General Meeting of Shareholders on 29 April 2011, the meeting set out remuneration rates for the directors of the Company for the year 2011 which includes but not limited to salaries, bonus, meeting allowance, insurance, special remuneration and other benefits in amount not exceeding 6,000,000 Baht as summarized below.

1) Meeting allowance for the Board of Directors

Chairman	30,000 Baht/each meeting
----------	--------------------------

Director	20,000 Baht/each meeting
----------	--------------------------

Directors who are the Company's management are not eligible for payment.

2) Meeting allowance for the Audit Committee

Chairman	15,000 Baht/each meeting
----------	--------------------------

Member	10,000 Baht/each meeting
--------	--------------------------

3) Meeting allowance for Nomination and Remuneration Committee

Chairman	15,000 Baht/each meeting
----------	--------------------------

Director	10,000 Baht/each meeting
----------	--------------------------

Directors who are the Company's management are not eligible for payment.

4) Meeting allowance for the Risk Management Committee

Chairman	15,000 Baht/each meeting
----------	--------------------------

Director	10,000 Baht/each meeting
----------	--------------------------

Directors who are the Company's management are not eligible for payment.

- 5) The rest should be reserved for paying bonus, insurance, special remuneration and other remuneration for the Board of Directors. This shall be allocated by the Board members.

Summary of 2011 Monetary Remuneration for the Directors of the Company

Name	Title	Meeting Allowance (Baht)
Dr.Pruchya Piumsomboon	Chairman	240,000
Associate Professor Dr. Narong Yoothanom	Vice Chairman, Independent Director, Audit Committee Member, Chairman of the Nomination and Remuneration Committee	240,000
Assistant Professor Kalyaporn Pan-ma-rerng	Director, Independent Director, Chairman of the Audit Committee, Member of the Nomination and Remuneration Committee, and Chairman of the Risk Management Committee	385,000
Mr. Noppadon Jason Chirasanti	Director, Independent Director, Audit Committee Member	250,000
Mr.Kanawath Aran	Director, Independent Director, Audit Committee Member, Member of the Risk Management Committee	310,000
Mr. Sanguankiat Lewmanomont	Director, Member of the Nomination and Remuneration Committee	120,000
Mr. Mark D Remijan	Director	120,000
Mr. Anavin Jiratomsiri	Director, Executive Director, CEO, Member of the Nomination and Remuneration Committee, Member of the Risk Management Committee	-
Miss Koo Man Wai	Director, Duputy Managing Director, Executive Vice President, VP – Procurement	-
Miss Sharuta Jiratomsiri	Director, Executive Director, VP - Sales and Marketing	-
Total		1,665,000

- Remuneration for the Executive Director and the Management

Remuneration	No. of Persons	Remuneration (million Baht)
Salaries, bonus and other welfare	6	10.56

Other remuneration

-None-

11 Good Corporate Governance

The Company has the policy to comply with the code of best practice to enhance transparency and for the benefits of the Company's business operations, as well as to build trust among the shareholders, investors and all parties. The Board of Directors has thus formulated the corporate governance principles which shall be used as a guideline for the conduct of good governance as stipulated by the SET. The Company's corporate governance principles consist of five chapters as follows:

Chapter 1 The Rights of Shareholders

The Company realizes the importance of fundamental rights of its shareholders as company owners and investors, such as right to buy, sell or transfer their held securities, right to receive sufficient Company's information, right to profit sharing from the Company, rights at a shareholders' meeting, right to express opinions, and right to make joint decisions for such critical matters as dividend distribution, director appointment and removal, auditor appointment, approval of transactions critically affecting the direction of the course of its business operation, etc.

In addition to the fundamental rights above, the Company has carried out several matters to facilitate the right exercise by shareholders as follows:

1. An annual general meeting will be held every year within four months from the end of each fiscal year, with a notice of meeting and agenda supporting documents sent to the shareholders seven days prior to the date of meeting and put on a newspaper informing the date of meeting for three consecutive days in advance of the date of meeting, and each agenda accompanied with the Board's opinion.
2. The agenda supporting information will be posted in advance on Company website, with clarification about shareholders' rights to attendance and voting.
3. If a shareholder is unable to attend the meeting, he/she may delegate one of the independent directors or any other person to attend on his/her behalf using any one of the forms delivered together with the notice of meeting.
4. Prior to the meeting, shareholders are given an opportunity to submit their opinions, suggestions and questions through the Board Secretary to the Company.
5. At the meeting, shareholders are given opportunities to pose questions, give suggestions, or express their opinions to the meeting on various issues independently and equally. A shareholder meeting will be attended by relevant directors and executives to provide answers and detailed information.

Chapter 2 The Equitable Treatment of Shareholders

Every shareholder is given equal opportunity. Voting rights at a meeting are determined based on the number of shares. One share is associated with one vote. No action is taken to restrict or violate or deprive of the rights of major, small, institutional and foreign shareholders. The independent directors are assigned to take care of small investors who can pass their suggestions and opinions or complaints to the directors for their appropriate actions taken. For complaint, as an example, the directors will carry out to verify the facts and find out an appropriate corrective action. For suggestion essentially affecting stakeholders as a whole or the Company's business conduct, it will be proposed to the shareholder meeting for its consideration of inclusion thereof as agenda therein.

The meeting is conducted in conformity with the Company's Articles of Associations and based on the order of the agenda, each of which is accompanied by complete details. No additional matters are submitted to the meeting without informing the shareholders in advance, in particular the agenda that requires time for consideration and decisions. In the case where a shareholder is unable to attend the meeting, he/she is given an opportunity to authorize one of the independent directors or any other person to attend on his/her behalf using one of the proxy forms delivered together with the notice of meeting. Voting will be conducted transparently based on the specified order of agenda. In the appointment of directors, shareholders are entitled to vote for each director individually.

In addition, an insider trading protection measure has been established for such concerned individuals as directors, executives, and employees in those departments related to inside information (including their spouses and minors) to be prohibited from trading Company securities for the period of at least one month prior to disclosure of quarterly and annual financial statements and to wait for at least 24 hours after such disclosure to the public and to be prohibited from disclosure to others.

Directors and executives are informed of their obligation to report their securities holding in the Company and of the penal clause pursuant to the Securities and Exchange Act B.E. 2535 (1992) and to the SET's requirement. In the event of Company securities trading by directors or executives, they are required to report to the SEC for dissemination to the public within three business days in accordance with Section 59 of the Securities and Exchange Act B.E. 2535 (1992) their shareholding in the Company, including those of their spouses and minors.

Chapter 3 The Role of Stakeholders

Importance is given to the rights of all groups of stakeholders, consisting of such internal ones as Company employees and executives and such external ones as competitors, partners, customers, etc. Realizing that supports and comments from all groups of stakeholders benefit the Company's operation and business development, the Company will comply with the applicable laws and requirements to ensure that the rights of such people are well maintained. Besides, the Company has

promoted cooperation with each stakeholder group in order to strengthen its status based on the following directions:

- (a) Shareholder : The Company has focused on development for consistent growth, which will accordingly boost its income and profit, hence higher value and maximum yields to its shareholders.
- (b) Customer : The Company has taken into account product quality and standards, and taken good care of and been responsible for customers with honesty and fairness.
- (c) Trade Partner : Trade partners have been treated fairly in conformity to the Company policy and trade conditions and/or mutual agreements to create good business relationships that will benefit all parties.
- (d) Competitor : The Company has promoted free and fair competition, and been adhered to good competition rule and framework.
- (e) Employee : The Company has a policy to treat every employee equally and fairly, with appropriate remuneration and welfare, and knowledge and competency development.
- (f) Community & Society : The Company has given importance to responsibility toward communities and the society. It has operated its business with code of ethics and supported appropriate activities that will contribute, and be constructive to, the society.
- (g) Environment : The Company has complied strictly with environmental laws and ordinances and put in place a continual environmental impact control guideline.

The Company will comply with the provisions of applicable laws, rules and ordinances to ensure that the stakeholders' rights are well maintained.

Chapter 4 Disclosure and Transparency

The Company is fully aware of the importance of proper, complete and transparent disclosure of both financial and general information in accordance with the rules of the SEC and the SET, as well as such other information as essentially affecting Company securities price, all of which can influence the decision process of the investors and stakeholders. Accordingly, company information is disseminated to its shareholders, investors and the public through several channels including information channels of the SEC and the SET, and the Company's website www.chowsteel.com.

With respect to investor relations task, an Investor Relations Department was established for the purpose of communicating with investors, shareholders, analysts and public sector concerned. The

Board of Directors is responsible for financial statements and financial information appearing in the Annual Report. The financial statements have been produced pursuant to the generally accepted accounting standards for Thailand, with accounting policy appropriately selected and regularly used throughout the operations, including adequate disclosures in the financial statements. In this regard, the quality of the financial statements and internal control, including adequate disclosures in the notes to financial statements, will be reviewed by the Audit Committee.

Chapter 5 Responsibilities of the Board of Directors

1. Structure of Board of Directors

The Board of Directors is composed of knowledgeable and capable persons who play an important role in defining policies and overall directions of the organization, and play an important role in independently supervising, inspecting and evaluating the results of operations of the Company in compliance with the set plan.

Currently, there are 10 Board members comprising three managerial directors and seven non-management directors. Four of the said seven members are independent directors with the purpose of balancing the voting in matters for consideration. There is an Audit Committee consisting of four independent directors whose duty is representing the shareholders in supervising the course of operation of the Company for appropriateness and transparency.

According to the Articles of Association, at an annual general meeting one-third of the directors shall retire by rotation. If the number of directors is indivisible by three, the one nearest to one-third shall apply. Directors due to retire by rotation in the first and second anniversary of Company registration shall be determined by drawing lots. For subsequent years, those directors being in office the longest shall vacate his office. However, the directors who retire by rotation may be re-elected to resume their directorship.

Besides, the Board of Directors formed four sub-committees comprising the Audit Committee, Executive Committee, Nomination and Remuneration Committee and Risk Management Committee to perform specific duties and propose matters to the Board of Directors for consideration and acknowledgment. Each sub-committee has its own rights and duties as designated.

The duties and responsibilities between the Board of Directors and executives are clearly separated. The Board of Directors has the duty to define policies and supervise the operation of policy level executives, while executives have the duty to manage the Company's work in compliance with the set policy. Accordingly, the Chairmen of the Board and executives are different persons and both types of positions are subject to selection by the Board of Directors to ensure most suitable persons.

The Company has a Board Secretary to provide the Board with recommendations about rules and regulations that need to be known, to oversee Board activities, and to coordinate compliance with Board resolutions.

2. Role, Duty and Obligation of the Board of Directors

The Board of Directors is composed of knowledgeable persons having skills, expertise and leadership from diversified areas. The Board of Directors takes part in defining vision, mission, strategies, policies and guidelines for business conduct and supervising the Company's operations in compliance with the laws, objectives, Articles of Association, and shareholder meeting resolutions. In order to enable close monitoring and supervision, several committees have been established to carry out the tasks.

2.1 Corporate Governance Policy

A corporate governance policy has been defined in writing and agreed to by the Board meeting, with the policy and its compliance reviewed on a regular basis. In addition, after the Company's common stocks are listed on the SET, the Company will comply in every respect with the rules and regulations prescribed by the SEC, the SET and Market for Alternative Investment (MAI), with its corporate governance report disclosed in its Annual Report (Form 56-2) and Annual Information Disclosure Report Form (Form 56-1).

2.2 Code of Conduct

The Code of Conduct has been established for adherence by the Board of Directors, executives and employees in performing their duties with honesty, integrity and impartiality toward the Company, all groups of stakeholders, the public and society, with their compliance therewith monitored on a regular basis.

To that end, all employees have been informed of the Code, including their compliance therewith.

2.3 Conflicts of Interest

A conflict of interest policy has been defined on the basis that any decision made in the course of business activity should inure to the best interests of the Company. To avoid any action leading to conflicts of interest, the person relating or linked to the transaction being considered must inform the Company of his/her relationship or linkage to such transaction, and not participate in the consideration and decision thereon, as well as not authorized to approve such transaction.

Connected transactions and transactions with conflicts of interest carefully considered by the Audit Committee in terms of appropriateness and in accordance with the rules of the SET and/or the

Office of the SEC will be proposed to the Board of Directors and disclosed in the Annual Report and Annual Information Disclosure Report Form.

2.4 Internal Control

The Company gives importance to internal control at both executive and operational levels. In order to enhance work efficiency, obligations, duties and authority for operatives and executives have been clearly defined in writing. The use of Company assets in meaningful ways is put under control. Duties of staff, supervisors and evaluators are clearly separated, with the Audit Committee appointed to have the duty in reviewing the internal control and internal audit system to ensure appropriateness and effectiveness. The Company has also hired external expert to monitor and examine the internal control system, and report to the Audit Committee to ensure that the core business has been conducted in accordance with the set directions and in an efficient manner.

2.5 Risk Management

The Company has assessed sufficiency of the existing internal control system in order to remedy and improve its operations to ensure more efficiency.

2.6 Report of the Board of Directors

The Audit Committee is responsible for reviewing the financial report with participation by the Accounting Department and the auditor. The Committee will then propose it to the Board of Directors on a quarterly basis. The Board of Directors is responsible for Company consolidated financial statements and financial information (Report on the Responsibility of the Board of Directors for the Financial Report) as appeared in the Annual Report. The financial statements are produced based on the generally-accepted accounting standards and audited by the auditor. Complete and regular disclosure of essential information, including financial and non-financial information, shall be made on the factual basis.

3. Board Meeting

According to the Articles of Association, a Board meeting shall be convened at least every 3 months and additional special meetings may be held as necessary, with a notice of meeting sent out seven days prior to the date of meeting, except in urgent, necessary case to protect the Company's interests. For each meeting, agenda and complete meeting documents must be made available and forwarded to the Board of Directors in advance for their preparation before the date of the meeting.

The Company Chairman and Chief Executive Officer will jointly define meeting agenda and consider which matters should be included as agenda items at each Board meeting. Each director is given an opportunity to suggest matters for such inclusion. All directors can discuss and express their opinions openly and the meeting chairman will then compile them and draw a conclusion from the

meeting. In voting at a meeting, the Board of Directors adheres to majority of votes. One director has one vote. The director having conflicts of interest should not join the meeting and/or vote for the matter thereof. In the event of tie, the meeting chairman should have another casting vote. The minutes of meeting will be made in writing after the meeting session and kept after passing Board approval and ready for verification by the Board and people concerned.

In 2011, the Company arranged eight Board meetings, ten Audit Committee Meetings, six Executive Committee meetings, five Risk Management Committee meetings, and none Nomination and Remuneration Committee meeting. Details of each director's attendance are shown below:

	Board of Directors 8 meetings	Audit Committee 10 meetings	Executive Committee 6 meetings	Nomination and Remuneration Committee 0 meeting	Risk Management Committee 5 meetings
Dr.Pruchya Piumsomboon	8/8	-	-	-	-
Associate Professor Dr.Narong Yoothanom	8/8	8/10	-	0/0	-
Assistant Professor Kalyaporn Pan-ma-rerng	8/8	10/10	-	0/0	5/5
Mr. Noppadon Jason Chirasanti	8/8	9/10	-	-	-
Mr.Kanawath Aran	8/8	10/10	-	-	5/5
Mr. Sanguankiat Lewmanomont	6/8	-	-	0/0	-
Mr. Mark D Remijan	6/8	-	-	-	-
Mr. Anavin Jiratomsiri	7/8	-	6/6	0/0	4/5
Miss Koo Man Wai	7/8	-	6/6	-	-
Miss Sharuta Jiratomsiri	4/8	-	3/6	-	-
Mr. Suttichai Suraphat	-	-	6/6	-	-
Mr. Worravit Auesapsakul	-	-	6/6	-	-
Mr. Sompop Iamsuwan	-	-	6/6	-	-

4. Remuneration for Directors and Executives

The Company has appointed Nomination and Remuneration Committee, and clearly and transparently set out Remuneration Policy. Remuneration is set at the level commensurate with directors' duties and responsibilities and sufficient for retaining knowledgeable and capable directors, subject to the approval of the Annual General Meeting of Shareholders.

Disclosure of remuneration paid to directors and executives will be made available using the form designated by the Office of the SEC.

5. Director and Executive Development

The Board of Directors has a policy to provide training and knowledge to the directors involved in the Company's corporate governance system, consisting of Board members, Audit Committee members and Executive Committee members in order for continued development in their performance of duties. In the event of new director, business operation guideline and information beneficial to his/her performance will be introduced to ensure consistently effective performance under the good corporate governance framework.

In addition, the Company has realized the importance of human resources development to enhance optimum efficiency and effectiveness. The Company has thus set out the training and human resources development policy targeting all personnel levels on a regular basis. The Company also has work performance assessment system and key performance indicators in place to assess effectiveness at both the organization and work unit levels. Moreover, the nature of business has been reviewed and adjusted in accordance with the business work plan that should lead to staff development system. To this end, training and staff development work plan has been formulated in line with the organizational development plan. This training and staff development plan is drawn from survey of needs of all work units to ensure appropriateness and enhance work efficiency of respective units.

Supervision on the Use of Internal Information

The Company has set the policy and measure to oversee the directors and the executives in their use of internal information which has not yet been disclosed to the public for their own benefits, including for stock trading, as follows:

- Disseminate knowledge to directors and executives about the reporting obligations concerning their shareholding including that by their spouse and minors to the Office of the SEC and the SET in accordance with Section 59 and penalties under Section 59 and Section 275 of the Securities and Exchange Act, 1992.
- Require that directors and executives have the duty to report on any change to their shareholding to the Office of the SEC in accordance with Section 59 of the Securities and Exchange Act, 1992 within three working days following the date of having the transactions changed and submit a copy of this report to the Company on the same date of submitting the report to the Office of the SEC.
- Require that the directors, executives, and employees who have known about significant internal information that could effect the change in stock prices refrain from buying and selling the Company's stocks for at least one month before disclosing the financial

statements or internal information to the public, and at least 24 hours after disclosure to the public, and not to disclose the significant information to other persons.

The Company has set penalty in case of violation of using internal information for personal benefits, beginning from written warning, wage cut, temporary suspension without pay, or dismissal. The degree of penalty is subject to the intent of the act and its seriousness.

Report on the Alteration to Shareholding of the Board of Directors and the Executives in 2011

Name	Number of shares (shares)		No. of shares increased (decreased) during the year (shares)
	31 Dec. 2010	31 Dec. 2011	
Dr.Pruchya Piumsomboon	-	-	-
Associate Professor Dr. Narong Yoothanom	-	-	-
Assistant Professor Kalyaporn Pan-ma-rerng	-	-	-
Mr. Noppadon Jason Chirasanti	-	-	-
Mr. Kanawath Aran	-	-	-
Mr. Sanguankiat Lewmanomont	-	-	-
Mr. Mark D Remijan	-	-	-
Mr. Anavin Jiratomsiri	408,000,000	408,000,000	-
Miss Koo Man Wai	40,500,000	40,500,000	-
Miss Sharuta Jiratomsiri	40,500,000	40,500,000	-
Mr. Suttichai Suraphat	-	-	-
Mr. Worravat Auesapsakul	-	-	-
Mr. Sompop Iamsuwan	-	-	-

Note: Including shareholding of spouses and minors (unless individual disclosure has been made)

12 Report of the Audit Committee

Dear Shareholders,

The Audit Committee of the Company is composed of four independent directors, namely Assistant Professor Kalyaporn Pan-ma-rerng, Associate Professor Dr. Narong Yoothanom, Mr. Noppadon Jason Chirasanti and Mr. Kanawath Aran, who are Audit Committee members. All the Audit Committee members have qualifications as prescribed in the Charter of the Audit Committee and in accordance with the requirements and best practices of the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET).

The Audit Committee has independently performed its duties and responsibilities delegated by the Board of Directors under the scope of the Charter of the Audit Committee in order to ensure that the Company's operations are conducted without any conflicts of interest, supported by adequate internal control system, and with the executives carrying out their work with honesty and in line with the Company's policy.

In 2011, the Audit Committee held altogether 10 meetings, attendance of which by the members is shown here:

1. Assistant Professor Kalyaporn Pan-ma-rerng	10
2. Associate Professor Dr. Narong Yoothanom	8
3. Mr. Noppadon Jason Chirasanti	9
4. Mr. Kanawath Aran	10

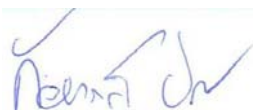
The results of the performance of duties are summarized as follows:

1. Reviewed the company-only and consolidated financial statements of the Company and its subsidiary company, both quarterly and annual, which had been reviewed and audited by the auditor, and submitted to the Board of Directors. The Audit Committee together with the internal auditor of the Company agreed to the auditor that the 2011 financial statements were prepared in accordance with the generally accepted accounting standards. Important information is sufficiently disclosed in the notes to financial statements.
2. Reviewed the performance of the Internal Audit Department, including approved the annual auditing plan, acknowledged internal audit reports, and reporting and monitoring thereof. The Audit Committee made observations and recommendations to improve efficiency and effectiveness of the internal auditing.
3. Reviewed adequacy of the Company's internal control system together with the Company's auditor, independent auditor, and the Internal Audit Department. The Audit Committee also assessed the internal control system to ensure efficiency and effectiveness of the Company operations and that the Company is able to achieve its goals. The Committee examined the

internal audit report and the results of the internal control evaluation and risk management in accordance with the international standards: COSO-ERM (The Committee of Sponsoring Organizations of the Treadway Commission – Enterprise Risk Management). No significant errors have been found. The Audit Committee considers the Company's internal control system appropriate, adequate and effective.

4. Provided opinion to the Board of Directors for the appointment of external auditor for the year 2012. We proposed Mr. Pradit Rodroytook and/or Miss Nongram Laoha-areedilok from AST Master, Co., Ltd. as the Company's external auditor for the year 2012 and considered remuneration for the auditing work before proposing to the Annual General Meeting of Shareholders.
5. Participated in the meeting to discuss and exchange opinions with the Company's executives and the auditor from time to time in order to acknowledge some observations and share opinions.
6. Examined the connected transactions or transactions with possible conflicts of interest to ensure compliance with the laws and regulations prescribed by the Capital Market Supervisory Board and other relevant agencies, as well as to disclose complete and accurate information.

The Audit Committee is of the opinion that the annual financial statements and disclosure of information of the Company in 2011 are adequate, correct and complete in accordance with the generally accepted accounting principles. The Company has suitable and efficient risk management and internal control systems, internal audit systems, as well as corporate governance procedures. The Audit Committee is able to perform its functions independently and transparently based on the good governance principle and best practices of the Audit Committee. We have also offered suggestions and recommendations useful for the Company's business operations.



Assistant Professor Kalyaporn
Pan-ma-rerng
Chairman



Associate Professor Dr. arong Yoothanom
Member



Mr. Noppadon Jason Chirasanti
Member



Mr. Kanawath Aran
Member

13 Internal Control

The Board has determined the adequacy of the Company's internal control system in accordance with the evaluation form of the SEC based on the self-assessment results of the Company's executives covering five main control components, namely:

- 1) Organization and Control Environment
- 2) Risk Assessment
- 3) Control Activities
- 4) Information System and Communications
- 5) Monitoring and Evaluation

The Board of Directors is of the opinion that under current circumstances, the Company has adequate internal control system and in line with the evaluation form of the Office of the Securities and Exchange Commission, especially the internal controls pertaining to the conduct of transactions with major shareholders, directors, executives, and related persons thereof. The Company has put in place rigorous and adequate internal control system. We have also engaged an independent company to conduct survey and assessment of the Company's internal control system, and report the results of which to the Audit Committee and the Board of Directors.

14 Related Party Transactions

Conflicts of interest may arise during the course of transactions between the Company and other persons. The connected transactions may be the transactions with the shareholders and/or the executives, including the transactions with related companies of which the shareholders and/or executives may have conflict of interest. The nature of relationships is described below:

Person with possible conflicts	Relationship
Mr. Anavin Jiratomsiri	Director and major shareholder of the Company
Mr. Thanachat Paopongpaiboon	Director and major shareholder of Vertex Logistics Services, Co., Ltd., the Company's subsidiary company
Vertex Logistics Services, Co., Ltd. ("Vertex")	Subsidiary company of the Company
Lewmanomont International Law Firm, Ltd.	Have common director, i.e. Mr. Sanguankiat Lewmanomont

- Product/service use or asset acquisition/disposal transactions of the Company

Person with possible conflicts	Nature of transactions made by Company	Value (million Baht)	Necessity and rationale
Vertex Logistics Services, Co., Ltd.	Disposal of assets	0.03	The Company disposed unused assets at mutually agreed prices which were higher than book value.
Vertex Logistics Services, Co., Ltd.	Use of transport service	58.72	The Company used its services to transport products to the customers and within the Company at market prices.
Lewmanomont International Law Firm, Ltd.	Use of legal advisory service	0.69	The Company used its legal advisory service for general business operations at mutually agreed prices.
Vertex Logistics Services, Co., Ltd.	Receipt of office space rental fees	0.13	The Company leased to Vertex office space and factory space for its business operations at mutually agreed prices.

Vertex Logistics Services, Co., Ltd.	Receipt of fines for incorrect transportation	0.02	The Company charged the fines for incorrect transportation to customers.
--------------------------------------	---	------	--

▪ Guarantee of bank loan and lease contract of the Company

Person with possible conflicts	Nature of transactions	Outstanding balance (million Baht)	Necessity and rationale
Mr. Anavin Jiratomsiri	Guarantee of total loan facilities of the Company in the amount of 2,178 million Baht, divided into: 1.1 Overdrafts and short-term loans 1.2 Bank guarantee 1.3 Letter of credit	1,495.84 64.19 2.98 million US\$	For use in the Company's business operations; without guarantee fee charged
Mr. Anavin Jiratomsiri	Guarantee of vehicle lease contract	0.56	For use in the Company's business operations and be in line with the terms and conditions of vehicle lease contract

▪ Short-term loan borrowing of Vertex Logistics Services, Co., Ltd.

Person with possible conflicts	Nature of transactions	Outstanding balance (million Baht)	Necessity and rationale
Mr. Thanachat Paopongpaiboon	Vertex borrowed short-term loan	1.63	For use as Vertex's working capital; without interest charged

- Guarantee of bank loan and lease contract of Vertex Logistics Services, Co., Ltd.

Person with possible conflicts	Nature of transactions	Outstanding balance (million Baht)	Necessity and rationale
Mr. Thanachat Paopongpaiboon	Guarantee of lease contract and letter of guarantee issued by financial institution to Vertex	88.28	For use in Vertex's business operations; without guarantee fee charged
Mr. Thanachat Paopongpaiboon	Use of a portion of loan facilities of Srithanathep Company Limited approved from the financial institution to guarantee the letter of guarantee issued by the financial institution for gasoline cards	1.23	For use to guarantee the letter of guarantee issued by the financial institution for gasoline cards

Related Party Transaction Measure or Procedure

The Company has set out procedures for approving related party transactions in compliance with the law on securities and exchange, and rules, notifications, ordinance or requirements of the SET and the mai. Directors or persons with possible conflict that have beneficial interest or possible conflicts of interest with the Company are not entitled to approve these related party transactions.

Policy and Trends of Related Party Transactions

The Company has determined policy on related party transactions as classified by type of transactions as follows:

- For normal business transactions and normal business support transactions based on general trade conditions, such as purchase or sale of goods and services, etc., the Company has set the policy for related party transactions to be made under general business terms and conditions at the market prices which are comparable to those applicable to outside parties, and shall strictly adhere to the contracts mutually agreed upon. In addition, the prices and conditions shall be set clearly, fairly and shall not lead to a siphoning of benefits. The Internal Audit

Department is responsible for examining the relevant information and report to the Audit Committee for consideration and opinion on the justification of the prices and transactions on a quarterly basis.

- For normal business transactions and normal business support transactions without general trade conditions, and other related party transactions such as acquisition or disposal of assets, and receipt or provision of financial assistance, e.g. loan borrowing, guarantee, and use of assets as collateral, etc., the Company has set the policy that the transactions shall be determined by the Audit Committee whether it is necessary and reasonable prior to making the transactions and that the transaction has to comply with the securities and exchange laws, rules, notifications or provisions of the Capital Market Supervisory Board, as well as the provisions of disclosure of connected transaction and acquisition or disposal of core assets of the Company and subsidiaries (if any). Director is not entitled to vote for any transaction in which he/she or person with possible conflict may have beneficial interest. He/She has to disclose nature of relationship and details of the transaction to the Board of Directors for consideration. In case the Audit Committee has no experience in examining the related party transaction, an independent expert may be engaged to give opinion on such transaction to support the decision of the Board of Directors or the shareholders, as the case may be.

15 Management Discussion and Analysis

Analysis of Operational Performance

Revenues

In 2011, the Company recorded revenue of 5,701 million Baht, up by 1,808 million Baht or 46% from 2010. The increased revenue came from the rise in sales of steel billet from 3,873 million Baht in 2010 to 5,685 million Baht in 2011. Of the total sales in 2011, 93% were for local market and the remaining for exports.

Sales by volume in 2011 reached 286,990 tons, which was 28% growth from that in the foregoing year, due to the rising demand for steel billets which are used to produce steel bars and deformed bars for construction and real property industry. Moreover, average selling prices also went up compared with a year earlier as a result of the price hikes of steel products both at home and on global markets. The Company recorded a decline in exports due to the significant growth of domestic demand and the fact that domestic sales generated better prices and profit margins than export sales.

Cost of Sales and Services

- Cost of Sales

In 2011, the Company's cost of sales amounted to 5,294 million Baht. Cost of sales to sale revenue ratio was 93% compared with 95% in 2010. The lower ratio was attributable to the Company's marketing capabilities and the rising trend of steel prices, allowing it to sell its products at higher prices, and the increase rate in selling price was higher than that in raw material price.

- Selling and Administrative Expense

In 2011, the Company recorded selling and administrative expense including executive remuneration of 109 million Baht, representing 1.90% of total revenues, which declined from 3.53% in 2010.

- Financial Cost

Financial cost, which came from interest expense on loans from financial institutions and leasing loans, increased by 10 million Baht to the total amount of 119 million Baht in 2011, as resulted from rising loan interest rates in the market.

Net Profit

In 2011, the Company posted a net profit of 186 million Baht, representing a net profit margin of 3.26% and return on equity of 20.65%, compared with a net profit of 16 million Baht, or a net profit margin of 0.41% and return on equity of 3.05% in the previous year. The robust net profit and net profit margin was the fruitful result of the Company's marketing efforts which brought in a large number of new customers and the continued increase in market prices of steel products, together with the Company's effective control of production cost and expenses.

Analysis of Financial Position

Assets

As of 31 December 2011, the Company recorded total assets of 3,196 million Baht, a 412 million Baht or 15% increase year on year. Main asset increase came from cash amounting to 614 million Baht or 19% of total assets, which went up by 551 million Baht from the proceeds of the IPO of its ordinary shares in December 2011. Other major assets included trade accounts receivable, inventories, property and equipment, which accounted for 14%, 17% and 47% of total assets respectively.

Liquidity

In 2011, the Company's net cash flows from operating activities amounted to 452 million Baht, due to profitable operations. It recorded 178 million Baht in net cash flows from financing activities, which came from the IPO of its ordinary shares in the amount of around 581 million Baht (net of IPO expenses), and repayments of overdraft and short-term loans of about 380 million Baht. For cash flows from investing activities, as the Company invested a portion of cash in fixed assets, e.g. construction of a dust store and additional acquisition of furnace, net cash utilized in investing activities was 79 million Baht. Overall, the Company recorded an increase in net cash flows of 551 million Baht.

Sources of Funds

Liabilities

Total liabilities of the Company amounted to 1,900 million Baht, a drop from the previous year by 357 million Baht. The sharp drop resulted mainly from its settlements of short-term loans and part of long-term loans to financial institutions.

Shareholders' equity

Total shareholders' equity of the Company accounted for 1,284 million Baht, an increase of 767 million Baht, as resulted from its profitable operations and proceeds from its IPO of 200 million ordinary shares with a par value of 1 Baht per share and offering price of 3 Baht per share in December 2011. The Company's paid-up registered capital thus increased by 200 million Baht, with a share premium increase of 381 million Baht (net of IPO expenses).

Capital structure

As of 31 December 2011, the Company's total liabilities to shareholders' equity was 1.47 times, compared with 4.28 times a year earlier. The ratio decrease was attributed to the IPO of its ordinary shares that resulted in the increase in shareholders' equity and also the repayments of loans to financial institutions, all reflecting the Company's strong capital structure in 2011.

Remuneration for the Auditor in 2011

The Company paid auditing remuneration to AST Master, Co., Ltd. for which the Company's auditor has worked for the fiscal year 2011 in a total amount of 610,000 Baht, and for auditing of its subsidiary company in an amount of 80,000 Baht. The Company also paid for other services in an amount of 2,000 Baht. Its subsidiary company did not use any other services from the auditor.

16 Report on the Responsibility of the Board of Directors for the Financial Report


The Board of Directors is directly responsible for the company-only financial statements of Chow Steel Industries Public Company Limited, and the consolidated financial statements of Chow Steel Industries Public Company Limited and its subsidiary company, as well as other financial information contained in Annual Report 2011. The financial statements are presented in accordance with generally accepted accounting principles, with regular adoption of appropriate accounting policies and with discretion and reasonable estimation. Important information is sufficiently disclosed in the notes to financial statements for the benefits of the shareholders and general investors.

The Board of Directors has put in place and maintained risk management system and internal control system that are efficient and effective to provide reasonable assurance that the accounting data presented is correct, complete and adequate to maintain the Company's assets and to prevent fraud or significant irregularities.

The Board of Directors has appointed the Audit Committee consisting of four independent directors to review the accounting policy and quality of the financial report, examine internal control system and auditing system, as well as disclosure of information on related party transactions. The Audit Committee's opinions regarding this matter are as presented in the Report of the Audit Committee in this Annual Report.

The company-only financial statements and the consolidated financial statements of the Company and its subsidiary have been examined and verified by the Company's auditor, namely AST Master, Co., Ltd. The auditor's opinions are as presented in the Auditor's Report in this Annual Report.

The Board of Directors is of the view that the Company's overall internal control system is well conducted and satisfactory, and able to reasonably assure that the company-only financial statements and the consolidated financial statements of the Company and its subsidiary for the year ended 31 December 2011 expressed accurate financial position and performance in accordance with generally accepted accounting principles, laws and other relevant rules and regulations.



Pruchya Piumsomboon, Ph.D., P.E.
Chairman



Anavin Jiratonsiri
Chief Executive Officer

17 Report of Independent Auditor

To The Board of Directors and Shareholders of **Chow Steel Industries Public Company Limited**

I have audited the consolidated statements of financial position as at December 31, 2011 and 2010, the consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the years then ended of **Chow Steel Industries Public Company Limited and Subsidiary**. I have also audited the separate financial statements of **Chow Steel Industries Public Company Limited**. These financial statements are the responsibility of the Company's management as to their correctness and the completeness of the presentation. My responsibility is to issue a report on these financial statements based on my audits.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Chow Steel Industries Public Company Limited and Subsidiary** and of **Chow Steel Industries Public Company Limited** as at December 31, 2011 and 2010, the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

Without qualifying my opinion on the above financial statements, I draw attention to the matter as discussed in Note 3, 4 and 5 to the financial statements, during the current year, the Company adopted the revised and new accounting standards issued by the Federation of Accounting Professions, and applied them in its preparation and presentation of the financial statements.

(NONGRAM LAOHAAREEDILOK)
Certified Public Accountant
Registration No. 4334

AST Master Co., Ltd.
February 13, 2012

18 Financial Statements

STATEMENTS OF FINANCIAL POSITION AS AT DECEMBER 31, 2011 AND 2010

		In Baht			
		Consolidated		Separate	
		financial statements		financial statements	
	Notes	2011	2010	2011	2010
<u>ASSETS</u>					
CURRENT ASSETS					
Cash and cash equivalents	8	613,637,601	62,280,537	610,421,640	60,272,819
Trade accounts receivable	9	435,457,168	409,870,345	434,741,925	409,870,345
Inventories	10	538,266,073	646,454,328	538,266,073	646,454,328
Account receivable-Revenue Department		36,294,341	53,313,808	36,294,341	53,313,808
Other current assets		22,775,293	24,021,688	20,332,957	21,354,247
Total current assets		1,646,430,476	1,195,940,706	1,640,056,936	1,191,265,547
NON - CURRENT ASSETS					
Investment in subsidiary	11	-	-	7,200,000	7,200,000
Deposits pledged as collateral	12	25,831,317	30,412,899	25,831,317	30,412,899
Property, plant and equipment	13	1,511,933,607	1,486,332,160	1,421,044,005	1,379,451,961
Advance payment for machinery acquisition		7,699,300	65,635,717	7,699,300	65,635,717
Computer software	14	3,381,599	5,149,913	3,381,599	5,149,913
Other non - current assets		1,160,167	799,599	1,039,580	799,599
Total non - current assets		1,550,005,990	1,588,330,288	1,466,195,801	1,488,650,089
TOTAL ASSETS		3,196,436,466	2,784,270,994	3,106,252,737	2,679,915,636

The notes to financial statements are an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION AS AT DECEMBER 31, 2011 AND 2010

		In Baht			
		Consolidated		Separate	
		financial statements		financial statements	
Notes		2011	2010	2011	2010
<u>LIABILITIES AND</u>					
<u>SHAREHOLDERS' EQUITY</u>					
CURRENT LIABILITIES					
Overdrafts and short - term loans					
from financial institutions	15	1,160,089,875	1,440,367,703	1,160,089,875	1,440,367,703
Trade accounts payable		248,513,088	126,706,633	247,084,526	126,612,860
Current portion of long - term loans					
from financial institutions	16	106,280,000	98,280,000	106,280,000	98,280,000
Current portion of liabilities under					
finance lease agreements	16	18,708,958	19,649,252	594,250	2,826,173
Short-term loan from related person	7.2	1,631,080	3,082,243	-	-
Other payable - related company	7.2	-	-	3,793,185	1,939,233
Advance received from sales of goods		8,711,168	55,549,813	8,711,168	55,549,813
Accrued expenses		52,331,293	77,322,655	52,285,223	77,292,655
Account payable from acquisition of assets		953,060	2,619,469	953,060	2,619,469
Other current liabilities		14,316,014	17,496,997	13,507,828	17,343,244
Total current liabilities		1,611,534,536	1,841,074,765	1,593,299,115	1,822,831,150

The notes to financial statements are an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION (CONTINUED)
AS AT DECEMBER 31, 2011 AND 2010

		In Baht			
		Consolidated		Separate	
		financial statements		financial statements	
Notes		2011	2010	2011	2010
<u>LIABILITIES AND</u>					
<u>SHAREHOLDERS' EQUITY</u>					
NON-CURRENT LIABILITIES					
Long-term loans from financial institutions					
- net of current portion	16	229,466,188	338,746,188	229,466,188	338,746,188
Liabilities under finance lease agreements					
- net of current portion	17	58,652,758	77,086,551	69,328	1,026,773
Employee benefit obligations	18	674,774	-	674,774	-
Total non - current liabilities		288,793,720	415,832,739	230,210,290	339,772,961
Total liabilities		1,900,328,256	2,256,907,504	1,823,509,405	2,162,604,111

The notes to financial statements are an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION (CONTINUED)
AS AT DECEMBER 31, 2011 AND 2010

		In Baht			
		Consolidated		Separate	
		financial statements		financial statements	
Notes		2011	2010	2011	2010
LIABILITIES AND SHAREHOLDERS' EQUITY (CONTINUED)					
SHAREHOLDERS' EQUITY					
Share capital - Common shares, Baht 1 par value					
Authorized share capital					
	800,000,000 common shares	19	800,000,000	800,000,000	800,000,000
Issued and paid-up share capital					
2011: 800,000,000 common shares					
2010: 600,000,000 common shares					
			800,000,000	800,000,000	600,000,000
	Premium on share capital		380,845,258	380,845,258	-
Retained earnings (deficit)					
	Appropriated for legal reserve	20	5,100,000	5,100,000	-
	Unappropriated		97,824,025	96,798,074	(82,688,475)
	Total equity attributable to the parent company		1,283,769,283	1,282,743,332	517,311,525
	Non-controlling interests		12,338,927	-	-
	Total Shareholders' equity		1,296,108,210	1,282,743,332	517,311,525
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			3,196,436,466	3,106,252,737	2,679,915,636

The notes to financial statements are an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
REVENUES				
Revenues from sales and services	5,685,222,465	3,872,571,290	5,679,780,954	3,871,229,853
Other income	15,861,557	20,254,512	15,790,744	20,254,512
Total Revenues	<u>5,701,084,022</u>	<u>3,892,825,802</u>	<u>5,695,571,698</u>	<u>3,891,484,365</u>
EXPENSES				
Cost of sales and services	5,294,482,900	3,674,859,600	5,289,954,805	3,673,741,563
Reversal on diminution in value of inventories	<u>(10,421,820)</u>	<u>(43,779,755)</u>	<u>(10,421,820)</u>	<u>(43,779,755)</u>
	5,284,061,080	3,631,079,845	5,279,532,985	3,629,961,808
Selling expenses	61,750,921	91,140,567	74,669,300	93,671,825
Administrative expenses	35,484,359	38,320,711	33,226,588	36,196,076
Managements' remuneration	<u>11,283,278</u>	<u>8,018,313</u>	<u>10,563,278</u>	<u>8,018,313</u>
Total expenses	<u>5,392,579,638</u>	<u>3,768,559,436</u>	<u>5,397,992,151</u>	<u>3,767,848,022</u>
PROFIT BEFORE FINANCIAL COSTS AND INCOME TAX	308,504,384	124,266,366	297,579,547	123,636,343
Financial costs	<u>(119,362,279)</u>	<u>(108,967,576)</u>	<u>(112,992,998)</u>	<u>(107,589,519)</u>
PROFIT BEFORE INCOME TAX	189,142,105	15,298,790	184,586,549	16,046,824
Income tax	<u>(1,242,643)</u>	-	-	-
PROFIT FOR THE YEAR	<u>187,899,462</u>	<u>15,298,790</u>	<u>184,586,549</u>	<u>16,046,824</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>187,899,462</u>	<u>15,298,790</u>	<u>184,586,549</u>	<u>16,046,824</u>

The notes to financial statements are an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
Profit (loss) attributable to:				
Equity holders of the parent	185,911,714	15,747,610	184,586,549	16,046,824
Non-controlling interests	1,987,748	(448,820)	-	-
Profit for the year	<u>187,899,462</u>	<u>15,298,790</u>	<u>184,586,549</u>	<u>16,046,824</u>
Basic earnings per share				
Profit attributable to equity holders of the parent	<u>0.30</u>	<u>0.03</u>	<u>0.30</u>	<u>0.03</u>
Weighted average number of common shares (shares)	<u>610,410,959</u>	<u>600,000,000</u>	<u>610,410,959</u>	<u>600,000,000</u>

The notes to financial statements are an integral part of these financial statements.

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

In Baht

	Note	Issued and	Retained earnings		Other	Total equity of the parent	Non- controlling	Total
		paid-up share capital	Premium on share capital	Appropri- ated for legal reserve	Unappropri- ated		interests	
Balance as at January 1, 2010		600,000,000	-	-	(98,735,299)	501,264,701	-	501,264,701
Non-controlling interests								
from investment in subsidiary		-	-	-	-	-	10,800,000	10,800,000
Total comprehensive income for the year		-	-	-	15,747,610	15,747,610	(448,821)	15,298,789
Balance as at December 31, 2010		<u>600,000,000</u>	<u>-</u>	<u>-</u>	<u>(82,987,689)</u>	<u>517,012,311</u>	<u>10,351,179</u>	<u>527,363,490</u>
Balance as at January 1, 2011		600,000,000	-	-	(82,987,689)	517,012,311	10,351,179	527,363,490
Total comprehensive income for the year		-	-	-	185,911,714	185,911,714	1,987,748	187,899,462
Increase in share capital	19	200,000,000	380,845,258	-	-	580,845,258	-	580,845,258
Appropriated for legal reserve	20	-	-	5,100,000	(5,100,000)	-	-	-
Balance as at December 31, 2011		<u>800,000,000</u>	<u>380,845,258</u>	<u>5,100,000</u>	<u>97,824,025</u>	<u>1,283,769,283</u>	<u>12,338,927</u>	<u>1,296,108,210</u>

The notes to financial statements are an integral part of these financial statements

SEPARATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

		In Baht				
	Note	Issued and paid-up share capital	Premium on share capital	Retained earnings		Other comprehensive income
				Appropriated for legal reserve	Unappropriated	
						Total
Balance as at January 1, 2010		600,000,000	-	-	(98,735,299)	-
Total comprehensive income for the year		-	-	-	16,046,824	-
Balance as at December 31, 2010		600,000,000	-	-	(82,688,475)	-
Balance as at January 1, 2011		600,000,000	-	-	(82,688,475)	-
Total comprehensive income for the year		-	-	-	184,586,549	-
Increase in share capital	19	200,000,000	380,845,258	-	-	-
Appropriated for legal reserve	20	-	-	5,100,000	(5,100,000)	-
Balance as at December 31, 2011		800,000,000	380,845,258	5,100,000	96,798,074	-

The notes to financial statements are an integral part of these financial statements

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2011 AND 2010

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before income tax	189,142,105	15,298,790	184,586,549	16,046,824
Adjustment to reconcile net profit (loss) to net cash provided by				
(use in) operating activities				
Reversal on diminution in value of inventories	(10,421,820)	(43,779,755)	(10,421,820)	(43,779,755)
Depreciation	114,770,097	95,214,477	98,574,810	91,196,016
Amortization of software	1,768,314	1,768,169	1,768,314	1,768,169
Gain on disposal of equipment	(447,394)	(14,988)	(447,394)	(14,988)
Provisions for employee benefit obligations	674,774	-	674,774	-
Interest expense	119,362,279	108,967,576	112,992,998	107,589,519
Profit from operating activities before change in				
operating assets and liabilities	414,848,355	177,454,269	387,728,231	172,805,785
Decrease (increase) in operating assets				
Trade accounts receivable	(25,586,823)	(205,324,467)	(24,871,580)	(205,324,467)
Inventories	118,610,075	120,499,660	118,610,075	120,499,660
Account receivable-Revenue Department	17,019,467	(50,873,752)	17,019,467	(50,873,752)
Other current assets	1,246,395	675,490	1,021,290	3,342,931
Other non-current assets	284,750	240,334	(210,350)	138,844
Increase (decrease) in operating liabilities				
Trade accounts payable	121,806,455	(75,437,503)	120,471,666	(75,531,276)
Other payable - subsidiary	-	-	1,853,952	1,939,233
Advance received from sales of goods	(46,838,645)	55,532,987	(46,838,645)	55,532,987
Accrued expenses	(24,389,485)	48,092,008	(24,405,554)	48,062,009
Other current liabilities	(4,423,626)	(9,007,164)	(3,835,416)	(9,160,917)

STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011 AND 2010

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
Cash receipt(paid)from operating activities	572,576,918	61,851,862	546,543,136	61,431,037
Interest paid	(119,964,156)	(108,986,711)	(113,594,876)	(107,608,654)
Income tax paid	(645,318)	(120,585)	(29,631)	(19,095)
Net cash provided by (use in) operating activities	451,967,444	(47,255,434)	432,918,629	(46,196,712)

The notes to financial statements are an integral part of these financial statements

STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash paid for purchase of investment in subsidiary	-	-	-	(7,200,000)
Increase in deposits pledged as collateral	4,581,582	(531,178)	4,581,582	(531,178)
Proceed from disposal of equipment	1,744,860	34,000	1,744,860	34,000
Cash paid for acquisition of plant and equipment				
(cash flows information)	(85,399,002)	(90,201,940)	(85,194,312)	(72,186,137)
Net cash used in investing activities	(79,072,560)	(90,699,118)	(78,867,870)	(79,883,315)
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase(decrease) in overdrafts and short-term loans				
from financial institutions	(280,277,828)	274,819,366	(280,277,828)	274,819,366
Cash paid for long-term loans from financial institutions	(101,280,000)	(81,900,000)	(101,280,000)	(81,900,000)
Cash paid for liabilities under finance lease agreements	(19,374,087)	(4,007,890)	(3,189,368)	(4,007,890)
Decrease in loan from related person	(1,451,163)	(8,331,507)	-	(11,413,750)
Cash paid for cost of share subscription	600,000,000	-	600,000,000	-
Dividends paid	(19,154,742)	-	(19,154,742)	-
Cash received for share capital from non - controlling interest	-	10,800,000	-	-
Net cash provided by financing activities	178,462,180	191,379,969	196,098,062	177,497,726
Net increase in cash and cash equivalents	551,357,064	53,425,417	550,148,821	51,417,699
Cash and cash equivalents, beginning of year	62,280,537	8,855,120	60,272,819	8,855,120
Cash and cash equivalents, end of year	613,637,601	62,280,537	610,421,640	60,272,819

The notes to financial statements are an integral part of these financial statements

STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
<u>SUPPLEMENT DISCLOSURE OF CASH FLOWS INFORMATION</u>				
Acquisition of plant and equipment during the year	(141,669,010)	(113,938,638)	(141,464,320)	(3,039,978)
Adjust Decrease in advance payment for machinery	57,936,417	(65,635,717)	57,936,417	(65,635,717)
Increase(decrease) in accounts payable from acquisition of assets	(1,666,409)	(3,728,862)	(1,666,409)	(3,728,862)
Increase in liabilities under finance lease agreements	-	93,101,277	-	218,420.00
Cash paid for acquisition of plant and equipment	<u>(85,399,002)</u>	<u>(90,201,940)</u>	<u>(85,194,312)</u>	<u>(72,186,137)</u>

The notes to financial statements are an integral part of these financial statements

19 Notes to Consolidated Financial Statement

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2011 AND 2010

1. GENERAL INFORMATION

Chow Steel Industries Public Company Limited was incorporated in Thailand. The principal business operation of the Company is to produce and sell of steel billet. Its major shareholders are Jiratomsiri's Group (owned 64%). The address of its registered is located at as follows:

- Head Office is located at 209/1 K.Tower, 18th Fl, Unit 3, Sukhumvit 21 (Asoke), Klongtoey Nua, Wattana, Bangkok.
- Factory branch.1 is located at 518/1 Moo 9 Nongki District, Kabinburi, Prachinburi.
- Factory branch.2 is located at 518/3 Moo 9 Nongki District, Kabinburi, Prachinburi.

The Company was listed on the Stock Exchange of Thailand on December 21, 2011 and the Company's stocks were traded on the MAI (Market of Alternative Investment).

2. BASIS FOR CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS PREPARATION

The consolidated and the separate financial statements have been prepared in accordance with Thai Generally Accepted Accounting Principles under the Accounting Act, B.E.2543 being those Thai Accounting Standards issued under the Accounting Profession Act, B.E. 2547 and the financial reporting requirements of the Securities and Exchange Commission under the Securities and Exchange Act B.E. 2535.

The preparation of financial statements in conformity with Thai generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses in the reported periods. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

The consolidated financial statements of Chow Steel Industries Public Company Limited and subsidiary, Vertex Logistics Service Co.,Ltd., which is engaged in the business of logistic service. The Company holds 40% of the subsidiary's registered share capital since January 1, 2010. Chow Steel Industries Public Company Limited has power in control a subsidiary, therefore, the Company presents consolidated financial statements.

The significant transactions between the Company and the subsidiary have been eliminated in the consolidated financial statements.

"The Company" represents "Chow Steel Industries Public Company Limited," while "The Group" represents "Chow Steel Industries Public Company Limited" and its subsidiary which is "Vertex Logistics Service Co.,Ltd."

The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies.

For the convenience of the user, an English translation of the financial statements has been prepared from the statutory financial statements that are issued in the Thai language.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011 AND 2010

3. ADOPTION OF NEW ACCOUNTING STANDARDS

During 2010 and 2011, the FAP issued the following new and revised Thai Financial Reporting Standards (TFRS) relevant to the Group's operations and effective for accounting periods beginning on or after January 1, 2011:

TAS 1 (Revised 2009)	Presentation of Financial Statements
TAS 2 (Revised 2009)	Inventories
TAS 7 (Revised 2009)	Statement of Cash Flows
TAS 8 (Revised 2009)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (Revised 2009)	Events after the Reporting Period
TAS 16 (Revised 2009)	Property, Plant and Equipment
TAS 17 (Revised 2009)	Leases
TAS 18 (Revised 2009)	Revenue
TAS 19	Employee Benefits
TAS 24 (Revised 2009)	Related Party Disclosures
TAS 27 (Revised 2009)	Consolidated and Separate Financial Statements
TAS 33 (Revised 2009)	Earnings per Share
TAS 34 (Revised 2009)	Interim Financial Reporting
TAS 36 (Revised 2009)	Impairment of Assets
TAS 37 (Revised 2009)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (Revised 2009)	Intangible Assets

The adoption of these new and revised TFRS has resulted in changes in the Group's accounting policies. The effects of these changes are disclosed in note 4.

In addition to the above new and revised TFRS, the FAP has issued during 2010 a number of other TFRS which are expected to be effective for financial statements beginning on or after January 1, 2013 and have not been adopted in the preparation of these interim financial statements.

TAS 12	Income taxes
TAS 20 (Revised 2009)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (Revised 2009)	The Effects of Changes in Foreign Exchange Rates

Management is presently considering the potential impact of adopting and initially applying these new and revised TFRS on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011 AND 2010

4. CHANGES IN ACCOUNTING POLICIES

From January 1, 2011, consequent to the adoption of new and revised TFRS as set out in note 3, the Group has changed its accounting policies in the following areas:

- Presentation of financial statements
- Accounting for property, plant and equipment
- Accounting for employee benefits

Presentation of financial statements

From January 1, 2011, The Group has applied TAS 1 (revised 2009) Presentation of Financial Statements. Under the revised TAS, a set of financial statements comprises:

- Statement of financial position;
- Statement of comprehensive income;
- Statement of changes in shareholders' equity;
- Statement of cash flows; and
- Notes to the financial statements.

As a result, the Group presents all owner changes in shareholders' equity in the statement of changes in shareholders' equity and all non-owner changes in shareholders' equity in the statement of comprehensive income. Previously, all such changes were included in the statement of changes in shareholders' equity.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on reported profit or earnings per share.

Accounting for property, plant and equipment

The Group has applied TAS 16 (revised 2009) Property, Plant and Equipment in determining and accounting for the cost and depreciable amount of property, plant and equipment.

The principal changes introduced by the revised TAS 16 and affecting the Group are that

- (a) costs of asset dismantlement, removal and restoration have to be included as asset costs and subject to annual depreciation;
- (b) the depreciation charge has to be determined separately for each significant part of an asset
- (c) in determining the depreciable amount, the residual value of an item of assets has to be measured at the amount estimated receivable currently for the asset if the asset were already of the age and in the condition expected at the end of its useful life. Furthermore, the residual value and useful life of an asset have to be reviewed at least at each financial year-end.

The changes have been applied prospectively in accordance with the transitional provisions of the revised TAS, except that consideration of the costs of asset dismantlement, removal and restoration, have been applied retrospectively.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011 AND 2010

Accounting for employee benefits

The Group has applied TAS 19 Employee Benefits.

Under the new policy, the Group's obligation in respect of post-employment benefits under defined benefit plans and other long-term employee benefits recognised in the financial statements based on calculations by a qualified actuary using the projected unit credit method. Previously, this obligation was recognised as occurred.

The Group has changed this accounting policy in the current year and recognises the liability in the transition period as an expenses in profit or loss for the year 2011. The change will have the effect of decreasing the profit of the consolidate and the separate financial statement for year ended December 31, 2011 by Baht 0.6 million.

5. CHANGES IN ACCOUNTING ESTIMATE

During the current year, the Company changed the estimated useful lives of the machinery and equipment from 5-20 years to 2-20 years. These change in accounting estimates have the effect of decreasing the profit of the Company for the year ended December 31, 2011 by Baht 6.4 million.

6. SIGNIFICANT ACCOUNTING POLICIES

6.1 Cash and cash equivalents

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

Deposits at financial institutions that are restricted in use are presented as "Deposits pledged as collateral" as part of non - current assets in the statement of financial position.

6.2 Trade accounts receivable

Trade accounts receivable are carried at delivery order amount less allowance for doubtful receivables based on a review of all outstanding amounts at the year end.

The amount of the allowance is the difference between the carrying amount of the receivable and the amount expected to be collectible. Bad debts are written off during the year in which they are identified.

6.3 Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined by the specific method of finished goods and the weighted average method of raw material, spare part and supplies. The cost of purchase comprises both the purchase price and costs directly attributable to the acquisition of the inventory, such as import duties and transportation charges less all attributable discounts and rebates. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads, the latter being allocated on the basis of normal operating activities. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011 AND 2010

6.4 Investment in subsidiary

Subsidiary, which is that entity in which the Group has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations are consolidated. Subsidiary is consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies of subsidiary has been changed to ensure consistency with the policies adopted by the Group.

Investment in subsidiary is reported by using the cost method of accounting in the separate financial statements.

6.5 Property, plant and equipment

Property, plant and equipment are initially recorded at cost. All assets except for land are stated at historical cost less accumulated depreciation.

Depreciation is calculated on the straight line method to write off the cost of each asset, to its residual value over the estimated useful life as follows:

Land improvement	10 years
Buildings and utility systems	5 - 20 years
Machineries and equipment	5 - 20 years
Fixtures and office equipment	5 years
Vehicles	5 years

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Estimated recoverable amount is the higher of the anticipated discounted cash flows from the continuing use of the asset and the amount obtainable from the sale of the asset less any costs of disposal.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Company. Major renovations are depreciated over the remaining useful life of the related asset.

Work-in-progress and installation are stated at cost. These assets are not depreciated until such time as the relevant assets are completed and ready for their intended operational use.

Gains and losses on disposals of property, plant and equipment are determined by comparing proceeds with the carrying amount and are included in operating profit.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011 AND 2010

6.6 Computer software

Computer software are stated at historical cost less accumulated amortization. Software costs are amortized as an expense by the straight - line method over a period of five (5) years.

6.7 Impairment of assets

The Group reviewed the impairment of assets whenever events or changes in circumstances indicate that the recoverable amount of assets is below the carrying amount (the higher of an assets selling price or value in use). The review is made for individual assets or the cash generating unit.

In case that the carrying value of an asset exceeds its recoverable amount, the Company recognize the impairment losses in the statements of comprehensive income. The reversal of impairment losses recognized in prior years is recorded as other income when there is an indication that the impairment losses recognized for the assets no longer exist or are decreased.

6.8 Accounting for leases - where company is the lessee

Leases transferring all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated to the principal and to the finance charges so as to achieve a constant rate on the finance balance outstanding. The outstanding rental obligations, net of finance charges, are included in long-term liabilities. The interest element of the finance cost is charged to the statements of income over the lease period. The property, plant or equipment acquired under finance leases is depreciated over the useful life of the asset.

Leases not transferring a significant portion of the risks and rewards of ownership to the lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statements of income on a straight - line basis over the period of the lease.

6.9 Provision

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

6.10 Revenue recognition

Revenue comprises the delivery order value for the sale of goods net of output tax, sales returns and discounts. Revenue from sales of goods is recognized when significant risks and rewards of ownership of the goods are transferred to the buyer.

Service income is recognized when services have been rendered.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011 AND 2010

Others income is recognized on an accrual basis.

6.11 Foreign currency translation

The Company translated the foreign currency transactions to Thai Baht using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated to Thai Baht at the exchange rate prevailing at the of statement of financial position date. Gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognized in the statement of comprehensive income.

6.12 Basic earnings per share

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

6.13 Financial instruments

Financial assets carried on the statement of financial position include cash and cash equivalents and trade accounts receivable and investments. Financial liabilities carried on the statement of financial position include trade accounts payable, loans and accrued expense. The particular

recognition methods adopted are disclosed in the individual policy statements associated with each item.

6.14 Related parties

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011 AND 2010

7 TRANSACTIONS WITH RELATED PERSON AND COMPANIES

7.1 Relationship and pricing policy

The relationship and pricing policies among the company, subsidiary, related person and companies are as follows:

	<u>Relationship</u>
<u>Subsidiary</u>	
Vertex Logistics Service Co.,Ltd.	40% Shareholding
<u>Related Companies</u>	
Jewkie Knitting Industrial Co., Ltd.	Directorship and Shareholding
Lewmanomont International Law Office	Directorship
<u>Related Person</u>	
Mr.Anavin Jiratomsiri	Director and Shareholder
Mr. Tanachart Poudpongpaiboon	Director and shareholder of subsidiary

	<u>Pricing policies</u>
<u>Pricing policies among the company, related person and companies:</u>	
Loan from	No interest charged.
Disposal of fixed assets	At price which had been agreed upon.
Transportation expenses	At normal business prices, as same as other entities.
Administrative expenses	At price which had been agreed upon.
Guarantee	No fee charged.

7.2 Balances of transactions with related person

Balances of transactions among the Company with subsidiary, related person and companies as at December 31, 2011 and 2010 are as follows:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011 AND 2010

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
<u>Other receivable</u>				
Vertex Logistics Service Co.,Ltd.	-	-	39,630	-
Lewmanomont International Law Office	-	23,580	-	23,580
Total	-	23,580	39,630	23,580
<u>Short-term loans</u>				
Mr. Tanachart Poudpongpaiboon	1,631,080	3,082,243	-	-
<u>Other payable</u>				
Vertex Logistics Service Co.,Ltd.	-	-	3,793,185	1,939,233
<u>Accrued expenses</u>				
Lewmanomont International Law Office	21,000	145,590	21,000	145,590

The changes of short-term loans from related person for the year ended December 31, 2011 are as follows:

	In Baht			
	Transactions during the year			December 31, 2011
	January 1, 2011	Increase	Decrease	
<u>Consolidated financial statements</u>				
Mr. Tanachart Poudpongpaiboon	3,082,243	1,548,837	(3,000,000)	1,631,080

7.3 Revenues and expenses transactions with related company

Revenues and expenses transactions with related company for the years ended December 31, 2011 and 2010 are as follows:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011 AND 2010

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
<u>Rental incomes</u>				
Vertex Logistics Service Co.,Ltd.	-	-	132,822	-
<u>Other incomes</u>				
Vertex Logistics Service Co.,Ltd.	-	-	16,070	-
<u>Purchase of raw material</u>				
Jewkie Knitting Industrial Co., Ltd.	-	1,703,957	-	1,703,957

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
<u>Disposal of fixed assets</u>				
Vertex Logistics Service Co.,Ltd.	-	-	29,907	34,000
<u>Transportation expenses</u>				
Vertex Logistics Service Co.,Ltd.	-	-	58,719,904	12,656,288
<u>Administrative expenses</u>				
Lewmanomont International Law Office	693,000	212,580	693,000	212,580

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011 AND 2010

8 CASH AND CASH EQUIVALENTS

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Cash	251,427	895,482	247,858	393,198
Deposits at financial institutions				
- Saving Accounts	1,948,505	950,320	1,948,505	950,320
- Current Accounts	611,437,669	60,434,735	608,225,277	58,929,301
Total	<u>613,637,601</u>	<u>62,280,537</u>	<u>610,421,640</u>	<u>60,272,819</u>

The weighted average interest rates of deposits at financial institutions were 0.50 - 0.75% per annum.

9 TRADE ACCOUNTS RECEIVABLE

Outstanding trade accounts receivable as at December 31, 2011 and 2010 are as follows:

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
In due	354,353,211	160,676,319	354,036,849	160,676,319
Over due				
Less than 3 Months	81,103,957	244,705,172	80,705,076	244,705,172
3 - 6 Months	-	4,488,854	-	4,488,854
Total	<u>435,457,168</u>	<u>409,870,345</u>	<u>434,741,925</u>	<u>409,870,345</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011 AND 2010

10. INVENTORIES

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

	In Baht					
	Cost		Provision for diminution of Inventories		Inventories - Net	
	2011	2010	2011	2010	2011	2010
Finished goods	207,612,966	399,469,771	(2,291,393)	(12,713,213)	205,321,573	386,756,558
Raw Materials	262,168,289	209,303,844	-	-	262,168,289	209,303,844
Supplementary			-			
Material	48,608,937	32,880,893		-	48,608,937	32,880,893
Supplies	22,167,274	17,513,033	-	-	22,167,274	17,513,033
Total	<u>540,557,466</u>	<u>659,167,541</u>	<u>(2,291,393)</u>	<u>(12,713,213)</u>	<u>538,266,073</u>	<u>646,454,328</u>

As at December 31, 2011 and 2010, inventory amounting to Baht 538.3 million and Baht 646.5 million, respectively, is mortgage as collateral for loans from financial institutions (notes 15 and 16).

11. INVESTMENT IN SUBSIDIARY

Company's name	Type of Business	Paid-up Share capital (Million Baht)	Percentage of holding (%)	In Baht Separate financial statements	
				2011	2010
Vertex Logistics Service.Co.,Ltd.	Logistics	18.0	40.0	<u>7,200,000</u>	<u>7,200,000</u>

12 DEPOSITS PLEDGED AS COLLATERAL

As at December 31, 2011 and 2010, fixed deposits and saving accounts totalling Baht 25.8 million and Baht 30.4 million, respectively, were pledged as collateral for letters of guarantee and loans facilities from financial institutions (notes 15 and 16).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011 AND 2010

13. PROPERTY, PLANT AND EQUIPMENT

CONSOLIDATED FINANCIAL STATEMENTS

	In Baht						
	Land and land improvement	Buildings and Utility System	Machineries And Equipment	Fixtures and Office Equipment	Vehicles	Construction In Progress	Total
As at December 31, 2010							
Cost	51,182,843	606,496,040	976,681,754	14,674,349	141,897,488	1,642,951	1,792,575,425
Less : Accumulated depreciation	(271)	(85,390,722)	(182,445,962)	(10,808,443)	(22,415,090)	-	(301,060,488)
Less : Provision for impairment	-	-	(5,182,777)	-	-	-	(5,182,777)
Net book value	<u>51,182,572</u>	<u>521,105,318</u>	<u>789,053,015</u>	<u>3,865,906</u>	<u>119,482,398</u>	<u>1,642,951</u>	<u>1,486,332,160</u>
Transactions during the year ended December 31, 2011							
Net book value, beginning of year	51,182,572	521,105,318	789,053,015	3,865,906	119,482,398	1,642,951	1,486,332,160
Add : Acquisition	-	-	8,617,259	1,612,427	8,584,776	122,854,548	141,669,010
Transfer in (out)	-	17,791,946	102,210,366	-	-	(120,002,312)	-
Less : Disposals	-	-	-	(4,255)	(1,293,211)	-	(1,297,466)
Less: Depreciation	(19,795)	(30,777,577)	(62,667,134)	(1,969,913)	(19,335,678)	-	(114,770,097)
Net book value, end of year	<u>51,162,777</u>	<u>508,119,687</u>	<u>837,213,506</u>	<u>3,504,165</u>	<u>107,438,285</u>	<u>4,495,187</u>	<u>1,511,933,607</u>
As at December 31, 2011							
Cost	51,182,843	624,287,986	1,087,509,379	16,232,676	147,532,116	4,495,187	1,931,240,187
Less : Accumulated depreciation	(20,066)	(116,168,299)	(245,113,096)	(12,728,511)	(40,093,831)	-	(414,123,803)
Less : Provision for impairment	-	-	(5,182,777)	-	-	-	(5,182,777)
Net book value	<u>51,162,777</u>	<u>508,119,687</u>	<u>837,213,506</u>	<u>3,504,165</u>	<u>107,438,285</u>	<u>4,495,187</u>	<u>1,511,933,607</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011 AND 2010

SEPARATE FINANCIAL STATEMENTS

	In Baht						
	Land	Buildings and Utility System	Machineries And Equipment	Fixtures and Office Equipment	Vehicles	Construction In Progress	Total
As at December 31, 2010							
Cost	50,984,893	606,496,040	976,681,754	14,623,640	31,247,488	1,642,951	1,681,676,766
<u>Less</u> : Accumulated depreciation	-	(85,390,722)	(182,445,962)	(10,804,828)	(18,400,515)	-	(297,042,028)
<u>Less</u> : Provision for impairment	-	-	(5,182,777)	-	-	-	(5,182,777)
Net book value	<u>50,984,893</u>	<u>521,105,318</u>	<u>789,053,015</u>	<u>3,818,811</u>	<u>12,846,973</u>	<u>1,642,951</u>	<u>1,379,451,961</u>
Transactions during the year ended December 31, 2011							
Net book value, beginning of year	50,984,893	521,105,318	789,053,015	3,818,811	12,846,973	1,642,951	1,379,451,961
<u>Add</u> : Acquisition	-	-	8,617,259	1,568,237	8,424,276	122,854,548	141,464,320
Transfer in (out)	-	17,791,946	102,210,366	-	-	(120,002,312)	-
<u>Less</u> : Disposals	-	-	-	(4,255)	(1,293,211)	-	(1,297,466)
<u>Less</u> : Depreciation	-	(30,777,577)	(62,667,134)	(1,954,408)	(3,175,691)	-	(98,574,810)
Net book value, end of year	<u>50,984,893</u>	<u>508,119,687</u>	<u>837,213,506</u>	<u>3,428,385</u>	<u>16,802,347</u>	<u>4,495,187</u>	<u>1,421,044,005</u>
As at December 31, 2011							
Cost	50,984,893	624,287,986	1,087,509,379	16,137,777	36,721,616	4,495,187	1,820,136,838
<u>Less</u> : Accumulated depreciation	-	(116,168,299)	(245,113,096)	(12,709,392)	(19,919,269)	-	(393,910,056)
<u>Less</u> : Provision for impairment	-	-	(5,182,777)	-	-	-	(5,182,777)
Net book value	<u>50,984,893</u>	<u>508,119,687</u>	<u>837,213,506</u>	<u>3,428,385</u>	<u>16,802,347</u>	<u>4,495,187</u>	<u>1,421,044,005</u>

As at December 31, 2011 and 2010, property, plant and equipment amounting to Baht 1,235.9 million and Baht 1,308.8 million, respectively is mortgaged as collateral for loans from financial institutions (notes 15 and 16).

As at December 31, 2011 and 2010, assets under finance lease agreements included above, comprise of vehicle and fixtures and office equipment with net book value of Baht 93.6 million and Baht 117.2 million, respectively.

As at December 31, 2011 and 2010 costs of machinery and equipment which have been fully depreciated but still in use are amounting to Baht 17.8 million and Baht 3.7 million, respectively.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011 AND 2010

14. COMPUTER SOFTWARE

The consolidated and the separate financial statements

	<u>In Baht</u>
As at December 31, 2010	
Cost	8,840,845
<u>Less</u> Accumulated amortization	<u>(3,690,932)</u>
Net book amount	<u>5,149,913</u>
Transactions during the year ended December 31, 2011	
Net book value, beginning of year	5,149,913
<u>Less</u> Amortization for the year	<u>(1,768,314)</u>
Net book value, end of year	<u>3,381,599</u>
As at December 31, 2011	
Cost	8,840,845
<u>Less</u> Accumulated amortization	<u>(5,459,246)</u>
Net book amount	<u>3,381,599</u>

15. OVERDRAFTS AND SHORT-TERM LOANS FROM FINANCIAL INSTITUTIONS

	<u>In Baht</u>	
	<u>Interest rate of</u>	<u>(% per</u>
	<u>annum)</u>	<u>Consolidated and Separate</u>
	<u>2011</u>	<u>2010</u>
	<u>2011</u>	<u>2010</u>
Overdrafts	MOR	MOR
	-	3,935
Short- term loans	MMR,Prime+1%	MMR,Prime+1%
	1,160,089,875	1,440,363,768
	<u>1,160,089,875</u>	<u>1,440,367,703</u>

As at December 31, 2011 and 2010, the Company has overdraft facility from 2 financial institutions amounting to Baht 31 million. The Company also has short - term loan facilities from 3 financial institutions amounting to Baht 1,470 million.

The overdrafts facilities and the short-term loans facilities from financial institutions are secured over Inventories (note 10), deposit at financial institution (note 12), property, plant and equipment (note 13) and the Company's common shares held by director and some of the director's guarantee.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011 AND 2010

16. LONG-TERM LOANS FROM FINANCIAL INSTITUTIONS

	In Baht	
	Consolidated and Separate financial statements	
	2011	2010
Long-term loans from financial institutions	335,746,188	437,026,188
<u>Less</u> : Current portion	(106,280,000)	(98,280,000)
Net	<u>229,466,188</u>	<u>338,746,188</u>

Long-term loan from financial institutions comprised of:

The first line Balance of Baht 56.8 million (2010 :amounting to Baht 83.8 million), which is monthly repayable within 1-48 equal installment dues of Baht 2.0 million each, within 49-70 equal Baht 2.5 million each and within 71 not less than Baht 3.0 million and the rest amount for the final payment. The first payment was paid in January 2006 and must be completed within December 2013. This loan bears interest at the rate of MLR per annum.

The second line Balance of Baht 14.5 million (2010: amounting to Baht 22.8 million), which is monthly repayable within 1-54 equal installment dues of Baht 0.7 million each and within 55 not less than Baht 0.7 million each and the rest amount for the final payment. The first payment was paid in March 2008 and must be completed within October 2013. This loan bears interest at the rate of MLR per annum.

The third line Balance of Baht 264.4 million (2010:amounting to Baht 330.4 million), which is monthly repayable within 1-64 equal installment dues of Baht 5.5 million each, within 65-71 not less than Baht 6.0 million each and the rest amount for the final payment. The first payment was paid in January 2009 and must be completed within December 2015. This loan bears interest at the rate of MLR-0.5 per annum.

On June 29, 2009, a financial institution approved one year grace period from March 2009 - February 2010.Payment will be started from March 2010.Interest expense on default of Baht 13.9 million will be released if the Company settles loans in full amount and on time

The movements of long-term loans from financial institutions for the year ended December 31, 2011 are as follows:

Transactions during the year ended December 31, 2011	In Baht
Balance, beginning of year	437,026,188
Repayment during the year	(101,280,000)
Balance, the end of year	<u>335,746,188</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011 AND 2010

The installment payment period of long-term loans are as follows:

	In Baht	
	Consolidated and Separate financial statements	
	2011	2010
Payment portion due within one year	106,280,000	98,280,000
Between 1 to 5 years	229,466,188	338,746,188
Total long-term loans from financial institutions	335,746,188	437,026,188

Such credit facilities are guaranteed by inventories (note 10), deposit at financial institution (note 12), property, plant and equipment (note 13), the Company's common shares held by director and some of the director's guarantee.

The loan agreement contains normal covenants pertaining to matters such as the maintenance of a certain debt-to-equity ratio and the restriction on dividend payment.

17. LIABILITIES UNDER FINANCE LEASE AGREEMENTS

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Liabilities under finance lease agreements	88,990,786	114,871,735	707,986	4,034,935
<u>Less</u> : Deferred interest charges	(11,629,070)	(18,135,932)	(44,408)	(181,989)
	77,361,716	96,735,803	663,578	3,852,946
<u>Less</u> : Current portion	(18,708,958)	(19,649,252)	(594,250)	(2,826,173)
Net	58,652,758	77,086,551	69,328	1,026,773

The ownership of assets under finance lease agreements will be transferred to the Company when the last installment is paid.

A subsidiary entered into the agreement with a financial institution to transfer right in collection from parent company for settlement of finance lease liabilities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011 AND 2010

18. EMPLOYEE BENEFIT OBLIGATIONS

The Group adopted TAS 19 Employee Benefits with effect from January 1, 2011 and the effect on the financial statements is disclosed in note 4.

The Group operate post employment benefit and pension based on the requirement of Thai Labour Protection Act B.E. 2541 (1998) to provide retirement benefits and other long term benefit to employees based on pensionable remuneration and length of service.

Movement in the present value of the defined benefit obligations

	<u>In Baht</u>
	<u>Consolidated and separate financial statements</u>
For the year ended December 31, 2011	
Recognized the obligation in the transition period	350,378
Current service costs and interest	324,396
Defined benefit obligations at December 31, 2011	<u>674,774</u>

Expense recognised in profit or loss

For the year ended December 31, 2011	
Recognized the obligation in the transition period	350,378
Current service costs	301,640
Interest on obligation	22,756
Total	<u>674,774</u>

The above expense recognised in profit or loss is recognised in the following line items.

	<u>In Baht</u>
	<u>Consolidated and separate financial statements</u>
For the year ended December 31, 2011	
Cost of sales	354,608
Administrative expenses	321,166
Total	<u>674,774</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011 AND 2010

Principal actuarial assumptions at the reporting date

	Consolidated and Separate financial statements
For the year ended December 31, 2011	
Discount rate	3.49% per annum
Salary increase rate	5%
Employee turnover rate	Scale related to Age ranging from 0 - 29.4%
Mortality rate	According to Thailand TMO 1997 male and female tables

19. AUTHORIZED SHARE CAPITAL, ISSUED AND PAID - UP SHARE CAPITAL

According to the resolution of the annual general shareholders' meeting held on April 29, 2011, the shareholders passed the resolution to approve the allocation of 200 million common shares with par value of Baht 1 each for initial public offering. As a result of the Initial Public Offering held in December 2011, the Company received the proceeds of Baht 600 million which was separately recorded as share capital of Baht 200 million and premium on share capital of Baht 380.8 million (net of subscription expenses of approximately Baht 19.2 million).

As at December 31, 2011, the Company has authorized and paid-up share capital of amounting to Baht 800 million (divided into 800 million of common shares with a par value of Baht 1 per share) (2010: the Company has authorized share capital of amounting to Baht 800 million and paid-up share capital amounting to Baht 600 million (divided into 600 million of common shares with a par value of Baht 1 per share)).

20. LEGAL RESERVE

The legal reserve of the Company was established in accordance with the provisions of the Thai Public Company Limited Act B.E. 2535, which requires the appropriation as legal reserve of at least 5% of net income for the year after deduction of the deficit brought forward (if any) until the reserve reaches 10% of the authorized share capital. This reserve is not available for dividend distribution.

In the year 2011, the Company has appropriated for legal reserve of Baht 5.1 million

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011 AND 2010

21. EXPENSES BY NATURE

Significant expense by nature for the year ended December 31, 2011 and 2010. The details are as follows:

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Changes in finished goods	191,856,805	(26,462,534)	191,856,805	(26,462,534)
Raw materials and supplies used	4,508,975,474	3,200,702,161	4,508,975,474	3,200,702,161
Utilities	436,304,498	357,677,650	436,304,498	357,677,650
Transportation expenses	14,086,861	79,726,008	72,806,765	92,382,296
Commission expenses	1,402,786	900,000	1,402,786	900,000
Staff costs	103,538,210	88,649,952	96,626,238	78,811,442
Depreciation and amortization	116,538,411	96,982,646	100,343,124	92,964,185

22. SEGMENT INFORMATION

The Group is engaged in the business of manufacturing and distribution of steel billet and logistic service. The Group operates in one geographical area in Thailand. The segment information can be classified into 2 segments as follows:

- a: Segment relating to distribution of steel billet
- b: Segment relating to logistic service

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011 AND 2010

Revenues and expenses classified by segment for the year ended December 31, 2011 assets and liabilities as at December 31, 2011 are as follows:

	In Thousand Baht				
	a	b	Total	Eliminated inter - company	Total
Sales and service income	5,679,781	64,161	5,743,942	(58,720)	5,685,222
Cost of sales and services	(5,289,955)	(50,330)	(5,340,285)	45,802	(5,294,483)
Reversal on diminution in value of inventories	10,422	-	10,422	-	10,422
Gross profit	400,248	13,831	414,079	(12,918)	401,161
Other income	15,791	220	16,011	(149)	15,862
Profit before expenses	416,039	14,051	430,090	(13,067)	417,023
Selling expenses	(74,669)	-	(74,669)	12,918	(61,751)
Administrative expenses	(33,227)	(2,407)	(35,634)	149	(35,485)
Management's remuneration	(10,563)	(720)	(11,283)	-	(11,283)
Total expenses	(118,459)	(3,127)	(121,586)	13,067	(108,519)
Profit before finance costs and income tax	297,580	10,924	308,504	-	308,504
Finance costs	(112,993)	(6,369)	(119,362)	-	(119,362)
Profit before income tax	184,587	4,555	189,142	-	189,142
Income tax	-	(1,242)	(1,242)	-	(1,242)
Net profit for year	184,587	3,313	187,900	-	187,900

Other information as at December 31, 2010

Property, plant and equipment	1,421,044	90,890	1,511,934	-	1,511,934
Other assets	1,685,209	10,327	1,695,536	(11,033)	1,684,503
Liabilities	1,823,509	80,652	1,904,161	(3,833)	1,900,328

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011 AND 2010

Revenues and expenses classified by segment for the year ended December 31, 2010 assets and liabilities as at December 31, 2010 are as follows:

	In Thousand Baht				
	a	b	Total	Eliminated inter - company	Total
Sales and service income	3,871,230	13,998	3,885,228	(12,656)	3,872,572
Cost of sales and services	(3,673,742)	(11,243)	(3,684,985)	10,125	(3,674,860)
Reversal on diminution in value of inventories	43,780	-	43,780	-	43,780
Gross profit	241,268	2,755	244,023	(2,531)	241,492
Other income	20,254	-	20,254	-	20,254
Profit before expenses	261,522	2,755	264,277	(2,531)	261,746
Selling expenses	(93,672)	-	(93,672)	2,531	(91,141)
Administrative expenses	(36,196)	(2,125)	(38,321)	-	(38,321)
Management's remuneration	(8,018)	-	(8,018)	-	(8,018)
Total expenses	(137,886)	(2,125)	(140,011)	2,531	(137,480)
Profit before finance costs	123,636	630	124,266	-	124,266
Finance costs	(107,589)	(1,378)	(108,967)	-	(108,967)
Net profit(loss) for year	16,047	(748)	15,299	-	15,299

Other information as at December 31, 2010

Property, plant and equipment	1,379,452	106,880	1,486,332	-	1,486,332
Other assets	1,300,464	6,614	1,307,078	(9,139)	1,297,939
Liabilities	2,162,604	96,242	2,258,846	(1,939)	2,256,907

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011 AND 2010

Revenues and expenses in the separate financial statement are classified by domestic sales and exports sales for the years ended December 31, 2011 and 2010 are as follows:

	In Thousand Baht					
	2011			2010		
	Domestic	Export	Total	Domestic	Export	Total
Sales	5,310,183	369,598	5,679,781	2,686,249	1,184,981	3,871,230
Cost of sales	(4,944,992)	(344,963)	(5,289,955)	(2,507,228)	(1,166,514)	(3,673,742)
Reversal on diminution in value of inventories	10,422	-	10,422	43,780	-	43,780
Gross Profit	375,613	24,635	400,248	222,801	18,467	241,268
Other income	15,791	-	15,791	20,254	-	20,254
Profit before expense	391,404	24,635	416,039	243,055	18,467	261,522
Selling expenses	64,295	(10,374)	(74,669)	(41,420)	(52,252)	(93,672)
Profit after expense	327,109	14,261	341,370	201,635	(33,785)	167,850
Administrative expenses			(33,227)			(36,196)
Management's remuneration			(10,563)			(8,018)
Profit before finance costs			297,580			123,636
Finance costs			(112,993)			(107,589)
Net profit for year			184,587			16,047

23. PROMOTION PRIVILEGES

The Company was granted investment promotional privileges by the Board of Investment (BOI) under the BOI certificates as follows:

Investment promotion certificate No. 1337 (2) / 2548 dated April 20, 2005
Investment promotion certificate No. 2228 (2) / 2550 dated December 7, 2007

Important privileges granted to the Company are summarised below:

- Exemption of Import Duty on machinery and components as approved by the BOI.
- Exemption of Import Duty on raw materials and essential materials used in the manufacturing of export products.
- Exemption of Import Duty on goods imported for re-export.
- Exemption of Corporate income tax for 8 years commencing as from the date of the first earning operating income from manufacture of Steel Billet. The company can carry forward

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011 AND 2010

any net loss incurred during the tax-exempt period to be deducted as expenditure from net profit incurred for five years commencing from the expiry of the tax-exempt period.

- Exemption of Income tax on dividends during the tax-exempt period.
- Deduction from net profit of 25 percent of the project's infrastructure installation in addition to normal depreciation.

As the Company was granted investment promotional privileges, the Company has to follow the rules and condition indicated in BOI Certificates as mentioned above.

Revenues from sales in the separate financial statements for the years ended December 31, 2011 and 2010 amounting to Baht 5,679.8 million and Baht 3,871.2 million, respectively, are the results of the operation under privileges granted.

24. FINANCIAL INSTRUMENTS

The principal financial risks faced by the Company are liquidity risk, exchange rate risk, interest rate risk, credit risk and fair value. The risk management policy of these particulars risks are as follows:

24.1 Liquidity risk

Liquidity risk, or funding risk, is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

24.2 Exchange rate risk

The Company is exposed to exchange rate risks because some of purchasing transactions to be paid by foreign currency. The Company mitigates this risk by enter into forward exchange agreement as appropriate.

In order to manage the risks arising from fluctuations in currency exchange rates, the Company makes use of the following derivative financial instrument:

As at December 31, 2011, the Company has forward contract. The foreign currency was to be received are amount U.S.Dollars 5.8 million

24.3 Interest rate risk

The Group was exposed to interest risks because it held deposits to and loans from financial institutions. However, The Company believed that the future fluctuation on market interest rate would not provided significant effect to their operation and cash flow; therefore, no financial derivative was adopted to manage such risks.

24.4 Credit risk

The Company is exposed to credit risks mainly relating to its trade accounts receivable. However, the management has policies to provide adequate allowance for any possible

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011 AND 2010

losses that might be incurred in collection of their receivables. The Company estimated the allowance for doubtful accounts from the ending balance of accounts receivable.

24.5 Fair value

The financial assets and liabilities include cash and cash equivalents, trade accounts receivable, loan, trade accounts payable and accrued expense. Their carried values approximate to their fair values.

25. CONTINGENT LIABILITY

As at December 31, 2011,

- The Company has letters of guarantee issued by bank for the payment of electricity fee amounting to Baht 64.2 million.
- The Company had unused letter of credit of approximately Baht 86.3 million.

26. 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.

As at December 31, 2011, debt to equity ratio in the financial statements is 1.47:1 (the separate financial statements: 1.42:1).

27. EVENT AFTER THE REPORTING PERIOD

The Company's Board of Directors Meeting, held on February 23, 2012, passed a resolution to approve the payment of dividends to common share's shareholders at Baht 0.10 per share for 800 million shares totaling Baht 80.0 million and will pay dividends on May 3, 2012.

Such dividend payment will be proposed to approve by the Annual General Meeting of the Company's shareholders.

28. APPROVAL OF FINANCIAL STATEMENTS

These financial statements have been approved by the Company's authorized directors on February 23, 2012.

*Creating
a better
tomorrow*

CHOWTM
Chow Steel Industries Public Company Limited

บริษัท เชาว์ สตีล อินดัสทรี จำกัด (มหาชน)
209/1 อาคารเค ทาวเวอร์ ชั้น 18 ยูนิต 3 ถนนสุขุมวิท 21 (อโศก)
แขวงคลองเตยเหนือ เขตวัฒนา กรุงเทพฯ 10110 ประเทศไทย
โทรศัพท์ : 02-260-3101-8 โทรสาร : 02-260-3100
www.chowsteel.com