



CHOWTM

Chow Steel Industries Public Company Limited

Annual Report 2013

Chow Steel Industries
Public Company Limited

“ We are dedicated to
providing steel products
of the highest
internation quality ”



Vision

“To be the leader in the manufacturing and distribution of billet in Thailand by focusing on controlling costs, maintaining quality of an international standard, and acting ethically towards our customers, employees, partners, the environment and society”

Mission

1. Quality steel products
2. Achieve growth through expanding productions while controlling costs.
3. Improve the product to match the needs of our customers.
4. Develop Renewable Energy Projects
5. Continue to develop human capital so that employees have the skills and knowledge necessary to work in the capacity assigned to them.
6. Increase quality of life, respect the community and environment and practice CSR



Annual Report 2013 CHOW

CREATING A BETTER TOMORROW

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Note: Investors can find more information about a company which issues securities from its Form 56-1 which is posted on www.sec.or.th or www.chowsteel.com



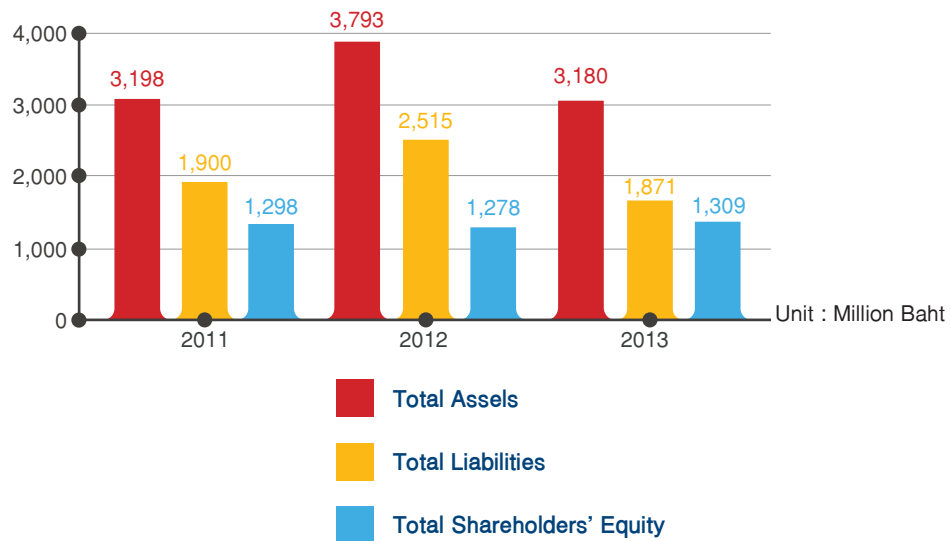
**“
Keep you update
everything
about us
”**

Financial Highlight

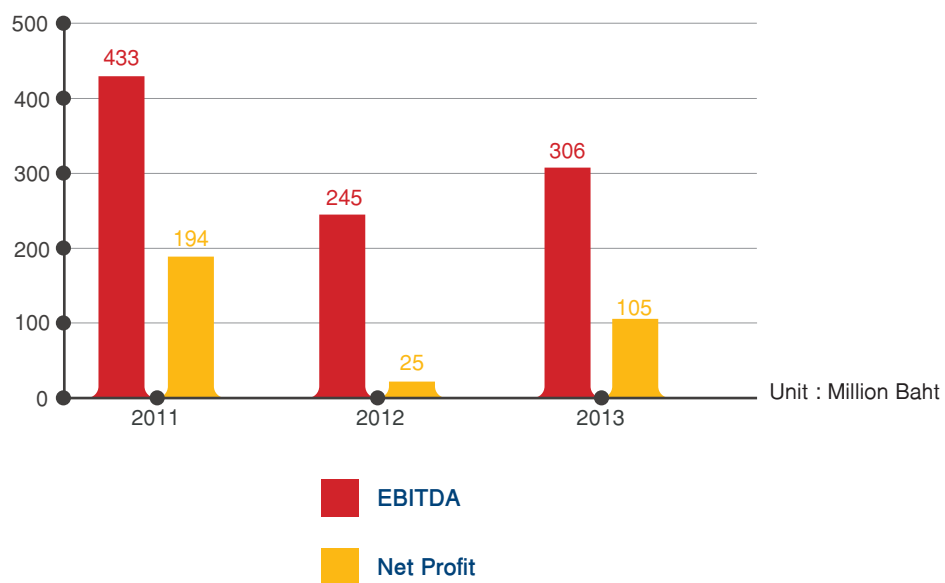
(Unit: Million Baht)

	Consolidated Financial Statements		
	2011	2012	2013
Financial Highlights			
Operating Performance			
Total Revenues	5,701.08	4,363.23	4,836.28
Gross Profit	409.57	231.74	293.08
Earning Before Interest, Tax, Depreciation and Amortization (EBITDA)	433.45	244.91	306.42
Net Profit (Loss) - on Company's part	194.32	25.46	105.17
Financial Position			
Total Assets	3,198.20	3,792.66	3,180.09
Total Liabilities	1,900.33	2,514.69	1,870.62
Shareholders' Equity	1,297.87	1,277.98	1,309.47
Shareholders' Equity - on Company's part	1,285.53	1,264.29	1,282.93
Registered Capital	800.00	800.00	800.00
Paid - up Capital	800.00	800.00	800.00
Financial Ratios			
Gross Profit Margin	7.20%	5.33%	5.86%
Net Profit Margin	3.45%	0.62%	2.24%
Return on Equity	15.12%	2.08%	8.29%
Debt/Equity Ratio (times)	1.46	1.95	1.43
Stock Data (Baht Per Share)			
Net Earning Per Share	0.32	0.03	0.13
Par Value	1.00	1.00	1.00
Book Value	1.62	1.61	1.64

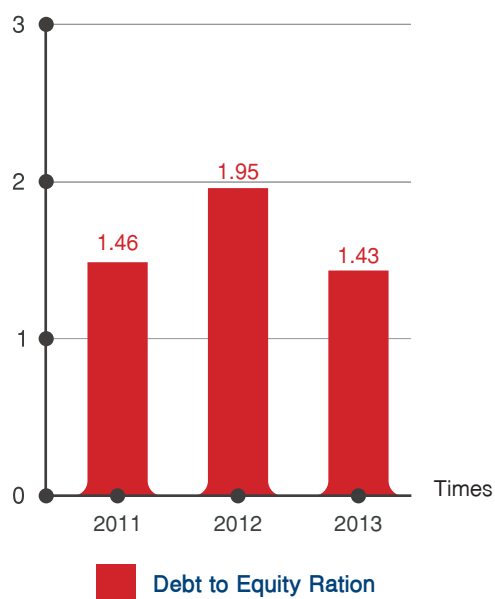
Financial Positions



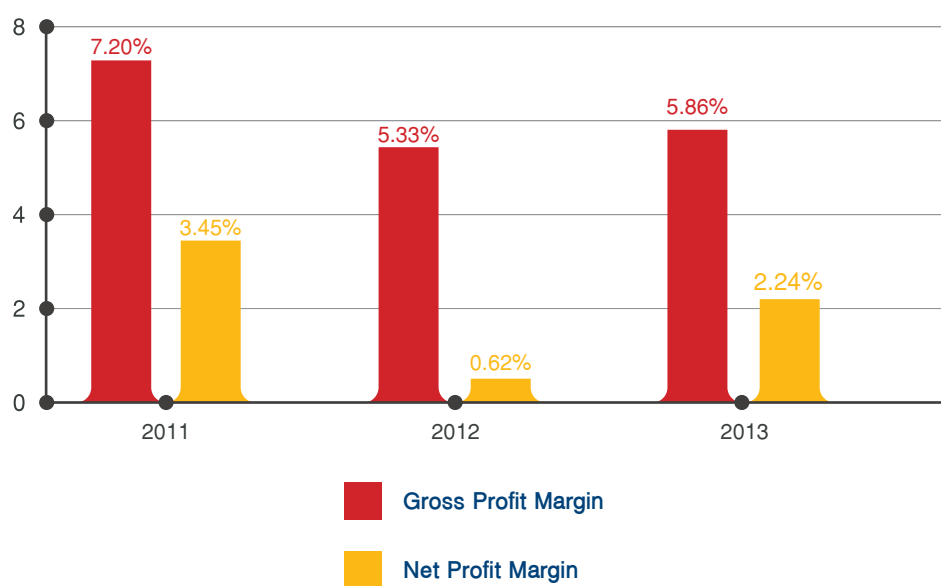
Operational Performance



Debt / Equity Ratio



Profit Margin



Messages from the Chairman



To All Shareholders

Chow Steel Industries Public Company Limited is a leading manufacturer of steel billets in Thailand, with products that comply with international manufacturing standards and with the Thai Industry Standard (TIS). The company focuses on production, after-sales service, product solutions and development, gaining strong acceptance from customers in various industries.

The company also focuses on human resource development and corporate social responsibility in communities near the manufacturing site, promoting idea exchanges and learning on the organization and social levels, as well as environmental conservation and social responsibility.

Last year, the company enjoyed solid performance despite intense industry competition, owing mostly to the professional management of stocks, which resulted in profit growth. In addition, to support sustainable growth, the company created new business opportunities by establishing affiliates to invest in the alternative energy business, thereby ensuring stability and the continued profitability of the company.

As President, I would like to convey my appreciation to all shareholders, clients, committees, the management team, employees and all supporters of the company throughout the year. You have become key contributors to the achievement of our vision, goals, policies, and performance under good corporate governance for the utmost benefit of all stakeholders.

A handwritten signature in blue ink, appearing to read 'Prachya Piamsomboon'.

Prachya Piamsomboon, Ph.D., P.E.
President

Messages from the Chief Executive Officer



To All Shareholders

People and job development are the keys to organizational growth and consequent effective business growth. The company is keenly aware of the significance of our human resources, so we make sure that our people are taken care of like family members. More than any other factor, this has brought about the success of the company.

The crisis during the recent period affected the economy overall; however, the company has stayed determined to ensure effective management and has been continuously exploring new business opportunities. In the previous year, the company invested in alternative energy projects in Japan to provide stability and maximize profit for its investors. Furthermore, the company is staying alert for businesses that can create sustainable growth in the future.

In close, I would like to extend my gratitude to all shareholders, clients, partners, sponsors, employees and business alliances for showing strong support and trust in our company. We are committed to steering the business towards sustainability by focusing on efficiency, transparency, and corporate governance in order to support all stakeholders in all sectors in compliance with the mission and goals of the company.



Mr. Anavin Jiratonsiri
Chief Executive Officer

The Board of Directors and Top Executives



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

Chairman of the Board of Directors

**2. Associate Professor
Dr. Narong Yoothanom**

Director, Independent Director,
Audit Committee, Chairman of
Nomination and Remuneration
Committee Member,

**3. Assistant Professor
Kalyaporn Pan-ma-rerng**

Director, Independent Director,
Chairman of the Audit Committee,
Nomination and Remuneration
Committee Member, Chairman of
Risk Management Committee

4. Mr. Noppadon Jason Chirasanti

Director Independent Director,
Audit Committee

5. Mr. Kanawath Aran

Director, Independent Director,
Audit Committee, Risk Management
Committee



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6. Mr. Sangguankiat Lewmanomont

Director, Nomination and
Remuneration Committee Member

7. Mr. Mark D. Remijan

Director

8. Mr. Anavin Jiratomsiri

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

9. Miss Koo Man Wai

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

10. 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: 62 years

Education

- Ph.D. (Operations Research), Texas A&M University, USA
- National Defense College (Class 12), Thailand
- Director Certification Program (DCP), Class 12/2001
- Role of the Chairman (RCP), Class 32/2013

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, Nomination and Remuneration Committee, and Chairman Audit Committee, SVI Public Company Limited
- Director Kasawadee Company Limited Piamtip Company Limited
- Managing Director CIM System (Thailand) Company Limited
- Managing Director, Pakin Property Co., Ltd.
- Chairman of the Board of Directors President Automobile Industries Co., Ltd.

Shareholding as of 31 December 2013

0.11% (total 888,400 shares)

Appointed as director in 2009



Associate Professor Dr. Narong Yoothanom

Position

Vice Chairman, Independent Director, Audit Committee Member, Chairman of the Nomination and Remuneration Committee

Age: 72 years

Education

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

Other Current Position (s)

- Vice President Sripatum University
- The Inspector of National Education Standards and Quality Assessment
- Chairman of Self Assessment Report, Commission on Higher Education
- Director SP Uni Search Limited

Shareholding as of 31 December 2013

-None-

Appointed as director in 2009



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: 61 years

Education

- Master of Business Administration, National Institute of Development Administration
- Certificate, Advanced Higher Education Management (Class 8)
- Director Accreditation Program (DAP), Class 28/2004
- Audit Committee Program (ACP), 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
- Director
President Automobile Industries Co., Ltd.

Shareholding as of 31 December 2013

-None-

Appointed as director in 2009



Mr. Noppadon Jason Chirasanti

Position

Director, Independent Director, Audit Committee Member

Age: 43 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 (DAP), 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
- Deputy Managing Director
Contango Co., Ltd.

Shareholding as of 31 December 2013

-None-

Appointed as director in 2009



Mr. Kanawath Aran

Position

Director, Independent Director, Audit Committee Member
Risk Management Committee Member

Age: 47 years

Education

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

Other Current Position(s)

- Manager and Legal Advisor, K & Partner Law Office
- Director and Managing Director, K & Partner Company Limited
- Director, President Automobile Industries Co., Ltd.

Shareholding as of 31 December 2013

-None-

Appointed as director in 2009



Mr. Sanguankiat Lewmanomont

Position

Director, Nomination and Remuneration Committee Member

Age: 38 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 (DAP), 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
- Director, Chow International Co., Ltd.
- Director, Premier Solution Co., Ltd.

Shareholding as of 31 December 2013

-None-

Appointed as director in 2009



Mr. Mark D. Remijan

Position

Director

Age: 47 years

Education

- Master of Business Administration, with Honors, in Finance, The Wharton School, University of Pennsylvania, USA
- Bachelor of Science in Mechanical Engineering, Massachusetts Institute of Technology.
- Director Accreditation Program (DAP), Class 65/2007

Other Current Position(s)

- Partner and CFO, Khiri Travel Group of Company
- Independent Director and Audit Committee Member Builder Smart Public Company Limited

Shareholding as of 31 December 2013

0.01% (total 78,400 shares)

Appointed as director in 2009



Mr. Anavin Jiratomsiri

Position

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

Age: 35 years

Education

- Diploma, International School Bangkok
- State High School Equivalency Diploma
- Risk Management Seminar & Workshop, The Stock Exchange of Thailand
- Director Accreditation Program (DAP), Class 28/200

Other Current Position(s)

- Director VERTEX Logistics Company Limited
- Director The Association of Thai Steel Industries
- Advisor Thai-Europe Trade Association
- Honorary Advisor President of the Senate on Economics
- Director Chow International Co., Ltd.
- Director Premier Solution Co., Ltd.

Shareholding as of 31 December 2013

51.00% (total 408,000,000 shares)

Appointed as director in 2009



Miss Koo Man Wai

Position

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

Age: 40 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 (DAP), Class 28/2004

Other Current Position(s)

–none–

Shareholding as of 31 December 2013

5.06% (total 40,500,000 shares)

Appointed as director in 2009



Miss Sharuta Jiratomsiri

Position

Director, Executive Director, Vice President – Sales and
Marketing

Age: 36 years

Education

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

Other Current Position(s)

- Director
Chow International Co., Ltd.
- Director
Premier Solution Co., Ltd.

Shareholding as of 31 December 2013

51.00% (total 408,000,000 shares)

Appointed as director in 2009

Top Executives



Mr. Anavin Jiratomsiri

Position

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

Position

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

Profile: As in Item on Board of Directors



Miss Sharuta Jiratomsiri

Position

Director, Executive Director, Vice
President - Sales and Marketing

Profile: As in Item on Board of Directors



Mr. Suttichai Suraphat

Position

Executive Director,
Deputy Managing Director,
Vice President - Finance
and Administration
Age: 40 years

Education

- Master of Business Administration, Ramkhamhaeng University
- CFO : Chief Financial Officer Certification Program Class 11, Federation of Accounting Profession

Other Current Position(s)

-

Shareholding as of 31 December 2013

-None-



Mr. Worravit Auesapsakul

Position

Executive Director, Vice
President - Accounting
Age: 35 years

Education

- Master of Accounting, Thammasat University

Other Current Position(s)

-

Shareholding as of 31 December 2013

-None-

Company Secretary Profile



Miss Sirirat Khongpeng

Age : 33 years

Education / Training

- Master of Business Administration Ramkhamhaeng University
- Company Secretary Program (CSP), Class 10/2005
- Effective Minute Taking (EMT), Class 20/2011
- Company Reporting Program (CRP), Class 3/2012
- Board Reporting Program (BRP) Class 11/2013

Other Current Position(s)

-none-

Shareholding as of 31 December 2013

-none-

Company Profile

Company name	:	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, 18th 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
e-mail	:	info@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 บาท (divided into 800,000,000 ordinary shares each of 1 Baht par value)
Paid-up capital	:	800,000,000 บาท (divided into 800,000,000 ordinary shares each of 1 Baht par value)

Details of Subsidiary Company

Company name	:	Vertex Logistics Services Co., Ltd.
Registration No.	:	0105552098837
Nature of business	:	In-land goods transport
Head office	:	209/1 K Tower, 18th Floor, Unit 3, Sukhumvit 21 (Asoke) Road, Klongtoey Nua, Wattana, Bangkok
Branch location	:	518/1 Moo. 9, Nongkee Subdistrict, Kabinburi District, Prachinburi Telephone No. 037-455-478 Facsimile No. 037-455-479
Website	:	www.vertexlogistics.co.th
Registered capital	:	18,000,000 Baht
Paid-up capital	:	18,000,000 Baht
Shareholding by CHOW	:	40%

Company name	:	Chow International Co., Ltd.
Registration No.	:	0105556101158
Nature of business	:	To invest in renewable energy in Thailand and overseas
Head office	:	209/1 K Tower, 18th Floor, Unit 3, Sukhumvit 21 (Asoke) Road, Klongtoey Nua, Wattana, Bangkok
Registered capital	:	50,000,000 Baht
Paid-up capital	:	50,000,000 Baht
Shareholding by CHOW	:	83%

Company name	:	Premier Solution Co., Ltd.
Registration No.	:	0105556119812
Nature of business	:	To locally and internationally provide consult related to renewable energy investment, develop renewable energy project
Head office	:	209/1 K Tower, 18th Floor, Unit 3, Sukhumvit 21 (Asoke) Road, Klongtoey Nua, Wattana, Bangkok
Website	:	www.ps-cl.com
Registered capital	:	5,000,000 Baht
Paid-up capital	:	5,000,000 Baht
Shareholding by CHOW	:	81%

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	:	Mr Pradit Rodloytuk Certified Public Accountant Registration No. 218 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
Legal	:	Lewmanomont International Law Office Co., Ltd. 256 Lewmanomont Building, Ratchadapisek Rd., Huaykwang, Bangkok 10320 Tel: 0-2274-0461-4 Fax 0-2274-0465

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. 518/1 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.
- 2012** :
- Certificate of Green Industry from Ministry of Industry, 1st Level (Green Commitment), committed to minimize effects to environments and applied corporate communication to create awareness.
 - Certificate of Green Industry from Ministry of Industry, 2nd Level (Green Activity), implemented activities to minimize effects to environments
 - Certificate of Corporate Social Responsibility - Department of Industrial Works (CSRDIW) from Ministry of Industry regarding responsibilities toward societies.
- 2013** :
- Company established Chow International Company Limited with registered capital of 50 million Baht. The objective is to invest in renewable energy in Thailand and overseas, with capital of 41.5 million Baht or 83% of registered capital. Premier Solution Company Limited was also established with registered capital of 5 million Baht with the objective to locally and internationally provide consult related to renewable energy investment, develop renewable energy project, as well as provide operation and maintenance service to completed project. Capital investment is 4.05 million Baht or 81% of registered capital. Company aims to invest in potential business and diversify risk to alternative fuel business that ensures sustainable revenue flow for company in the future.

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	Consolidated nancial statements					
		2011		2012		2013	
		Million Baht	%	Million Baht	%	Million Baht	%
Steel products							
- Steel billet SR 24	the Company	1,928.50	33.83%	1,665.85	38.18%	1,553.12	32.11%
- Steel billet SD 30	the Company	3,364.34	59.01%	2,453.65	56.23%	2,989.69	61.82%
- Steel billet SD 40	the Company	71.61	1.26%	0.01	0.00%	34.22	0.71%
- Steel billet 3 SP	the Company	-	-	-	-	-	-
- Steel billet 5 SP	the Company	305.67	5.36%	223.53	5.12%	223.85	4.63%
- Steel billet SS 400	the Company	9.66	0.17%	-	-	-	-
Total Revenues from sales		5,679.78	99.63%	4,343.04	99.54%	4,800.88	99.27%
Revenues from transport service	Subsidiary	5.44	0.10%	6.13	0.14%	1.70	0.04%
Revenues from development	Subsidiary	-	-	-	-	10.86	0.22%
Other revenues	Company& Subsidiary	15.86	0.28%	14.06	0.32%	22.84	0.47%
Total revenues		5,701.08	100.00%	4,363.23	100.00%	4,836.28	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.

Corporate Social Responsibilities

We, as a good organization, are committed to creating values to the society by adhering to the principle of steel industrial business conduct in order to encourage and promote and be part of creating the stability of steel industrial markets, and we will operate our business with responsibility for social and environmental benefits.

Overall Policy

We are committed to producing and delivering products of quality that meets customer requirements under good governance. In our operations, we are accountable for both environmental and community impacts from our conduct of business. We base our principle of operating business on ethics, transparency, verifiability, respect for human rights, compliance with laws, and adherence to international procedural guidelines, with regard to the benefits of interested parties, including development and improvement to create a foundation of constant and sustainable social responsibility.

Operations and Reporting

1. Fair Business Conduct

The Company's policy is adherence to fairness in our business conduct; execution and attempted execution to in its best interests create fairness towards partners and competitors; and strict compliance with the commitments to attain common objectives. The guideline for treating partners fairly is established in the Code of Conduct.

2. Anti-Fraud Action

The Company encourages its management and employees to properly operate business with transparency, fairness, and verifiability that is consistent with its good corporate governance and Code of Conduct. Everyone is expected to report in good faith in any contradicting or suspiciously contradicting conduct to the Company and help improve, rectify or execute to ensure propriety, decency, transparency, and fairness, with protection to the faithful informer.

The Company has established a policy for receiving complaints and protecting the complainants to ensure that superiors and units related to Company human resources would provide proper care, recommendations, and monitoring of employee or officer behaviors and conduct, with protection to the faithful informer.

When in doubt or there is a reason to faithfully believe that a violation or non-compliance exists against laws, ordinances, good corporate governance, policies, procedures, requirements, or rules of the Company, the employee or officer in question should first ask or consult with his or her superior. However, if they are unsure or inconvenient to do so, they can refer the issue directly to the responsible unit.

3. Respect for Human Rights

The Company has a policy to adhere to human rights and respect the honor and personal rights of its directors, management and employees, giving affirmative employment opportunities and disallowing discrimination, labor deterrence, harassment or threatening due to differences in nationality, race, class, sex, age, religion, creed, and social status. Management and the employees have the opportunity to get encouraged and promoted for knowledge and competency training equally and suitably as necessary for each level of job position. The Company has a policy to keep its working environment safe and hygienic to enable productive work performance. Procedures on adherence to human rights and equal work opportunities are established in the Code of Conduct.

4. Fair Labor Treatment

Employment and Labor Relations

The Company has formed an Establishment Welfare Committee to undertake joint discussions and provision of employee welfare and additional benefit, and has defined a policy for its employees to receive benefits and welfare fairly. As a result of attaching importance to good labor relations, benefits, and welfare, the employees have become more satisfied with the Company, with their established love and bond to the Company as reflected in the statistics of reduced resignation.

Occupational Health and Safety

The Company has appointed a Safety Committee to consider resolving safety problems and promoting safety activities, giving operating staff the opportunity to be part of the Committee in order to obtain information from those working at the operational level. In addition to attaching importance to activities that potentially impact the employees, the Company also attaches importance to activities that potentially pose external impact. Accordingly, a Community Relations Committee has been established to jointly consider improving and resolving impacts and to promote more Company participation in communal activities.

In addition, the Company joined the CSR-DIW initiative and has been given a Green Industry Certificate Level 1: Green Commitment that indicates the Company's commitment to reducing environmental impacts, which has been communicated throughout the organization. The Company has also received a Green Industry Certificate Level 2: Green Activity that indicates the Company's successful achievement of determined, environmental impact reduction activities. In addition, the Company has also received a Certificate of Compliance with Social Responsibility Standard for Industrial Operators from the Department of Industrial Works, Ministry of Industry.

Diversity and Equal Opportunity

The Company realizes linguistic, ethnic and educational diversities of its employees and, hence, open various communication channels through supervisors and suggestion boxes. However, there are no employee complaints about unequal treatment.

5. Responsibility for Consumers

The Company attaches importance to the production and delivery of products of good quality that meets customer requirements and bases its execution primarily on customers' best interests, subject, however, to applicable ordinances regulations, and/or laws. Procedures on customer treatment and product quality are established in the Code of Conduct.

6. Environmental Care

Sustainable Use of Resources

The Company realizes the importance of the resources used as materials in its activities, including the use of different kinds of energy in its manufacturing process, especially electrical energy which is the main energy for producing billets. The Company is categorized as a controlled plant no. TSIC-ID: 37110-0166 pursuant to the Royal Decree Establishing Controlled Plants B.E. 2540 (1997).

The Company has announced an energy conservation policy as a procedure guideline for its organization, set an energy conservation target with comparison to the energy consumed per one unit of productivity, produced energy management reports, and appointed responsible persons for energy whose qualifications meet the ministerial regulation requirements. The Company furnishes an energy management report to the Department of Alternative Energy Development and Efficiency on March of every year.

Pollution Prevention and Impact

Thanks to the Company's use of induction furnace technology, the amount of air pollution has been reduced lower than that of other kinds of furnaces for such occurring substances as dust, which is comprised of iron oxide fume and other metals commingled in the scrap iron. The Company, therefore, installed a system to control the diffusion of the occurring substances at their origin using a bag house filter, thus reducing air pollution amount and thereby keeping the health of the employees and nearby communities.

In addition, the Company follows the environmental protective and corrective measures and the environmental impact monitoring and examination measures by assigning S.P.S. Consulting Service Co., Ltd., as a central unit, to follow up and examine environmental impacts from its business operations, compile and summarize the results of implementing the environmental protective and corrective measures and the environmental impact monitoring and examination measures every six months, for a presentation thereof to the Office of Natural Resources and Environmental Policy and Planning and concerned government agencies periodically every six months.

7. Joint Development of Communities and Society

The Company has defined target areas for which community developments will be made in areas within the radius of five kilometers from its plant, consisting of 12 villages in Tambon Nong Ki, Amphoe Kabin Buri, Prachin Buri; and two villages in Tambon Nadee, Kabin Buri, Prachin Buri, totaling 14 villages.

Corporate Social Responsibility (CSR)

Chow Steel Industries Co., Ltd. (Public) concerns more on social responsibility which includes environment, society, and community. This became top priority of the company since 2550 B.E., and there are seven aspects that the company focuses on as listed below;

1. Education
2. Career
3. Environment
4. Religious
5. Sport, public health, and safety
6. Social
7. CSR in house

In 2013, the company created the campaign to response directly and related to the community's needs and wants by getting the community involved with the campaign. This allows the company to be able to advertise the campaign and related news and to collect feedback from them to be using in implementing further campaign. There are some useful summaries from the previous campaigns as the following;



• Education

The campaign called "Chow Children's Day", which is now the second year of this campaign as that the company prioritizes all children who are the future of the country. Our country will be driven whether in the better or worse in many aspects like science, finance or economy, it will depend on our youth. All of these may need to be educated well for our youth to have excellent understanding and attitude.

Therefore, the youth and children development is really crucial for our country as we figure out that some creative and useful activities are needed for such development. This also includes activities that allow and encourage those children to be able to present their special talents and to be adaptable with the new society in the future. As the company provides this campaign for those children to share the greatest happiness and the best moment for them to embrace, and there are about 500 children participated this campaign in the area of Nhongkee and Nadee districts. Moreover, the company provided 20 scholarships and 600 stationary kits.

- **Career**

“Chow: More Knowledge for the Better Career” and “Amazing Mushroom for the Wealthy”, which are the second year for both campaigns. Such campaigns allow communities which are nearby the company to be able to educate and practice about mushroom growing, and they will bring this to be used in strengthening their careers in the future. There are about 20 families participated in this campaign as that they can sell those mushroom spawn production further from Moo.2 Baan Kokkeelek, Nhonkkee district, Binburi, Prajeenburi, and another group will be selling blooming mushrooms from Moo.4 Baan Samhong, Nhonkkee district, Binburi, Prajeenburi. Mushroom processing is another thing that the company provided to those agriculturists in term of theory and real practice. This will allow them to be learning by doing with the proper equipment from Suranaree University of Technology, Nakhon Ratchasima. In addition, there is a group gathered to sell the production.

- **Environment**

“Chow: Local Agriculturist’s Sustainable Development” is inspired by the agriculture’s area observation done by local people which is their main works, and the information collected from them will be the next step in implementing the plan. The result is that most agriculture areas are dry, and it will lead to the worse production due to sandy soil. Later on, the company worked on the plan that helps improve the soil quality and implements the sample area for planting at Moo.9 and Moo.5 communities, Nhonkkee district, Prajeenburi. The purpose of this campaign is to generate more works and revenues for those local agriculturists and to create more greenery areas for the environment.

- **Religious**

“Religious Camping” is the campaign that cooperates with the local community center along with the purpose of educating people about the Buddhist theory to be passed on from generation to generation in our society. The company chose some qualified temples along with most educated monks such as Klong Malao temple, Khongkee district, Binburi, Prajeenburi.

- **Sport, public health, and safety**

“Chow: Community Association Cup” is inspired by the idea of social responsibility that is the important factor driven the whole company for the better. Then this idea became one of the company’s implementations and managements. It is important to focus on both internal and external society, so there will be a sport event provided to gather people up and join the moment. This campaign is held for the second times for male football players competing with the community center staffs in a sense that they can exchange some useful knowledge with each other and for the better health. The communities that are involved with this campaign are Moo.2 Baan Khokkeelek, Moo.3 Baan Khoklan, Moo.5 Baan Tod, Moo.6 Baan Khoksun, Moo.11 Baan Ratchada Pajik, Moo.7 Baan Khlong Udom, and Moo.8 Baan Khlong Malao, Khongkee district, Binburi, Prajeenburi.

- **Social**

“Chow: the Charity for Overcoming the Flood 2556 B.E.”, which is the campaign that is created to overcome the flood in Prajeenburi because there were many areas affected from the flood at that time. Then the company considered this a serious problem and wanted to help those people by providing this campaign to be providing 200 necessary kits, food, and about 2,400 bottles of water for those people in the areas of Nhongkee district and Binburi district. Moreover, the company set up the main tent for cooking in cooperated with the Sawang Buddhadham Charity, Pakchong district, Nakhon Ratchasima. This also included some volunteer teams by 20 volunteers to be helping and providing food and necessary kits for those families encountered with the flood which was about 1.5 - 2.5 meters high.

- **CSR in house**

The campaign called “Chow: the Blue Flag for the Lower Cost of Living” is created by having conversation with both employees and communities with the purpose of helping them with the cheaper spending, and the campaign plan will be providing four times a year.

Risk Factors

1. Raw material risks

1.1 Risk from fluctuation in raw material price

Normally, key material to be used in melting process to produce long steel is metal scrap which accounts for 70–80% of production cost so fluctuation of metal scrap directly affects cost of production and sales. Typically, domestic price of metal scrap will be changed based on selling price of long steel and metal scrap in global market and radical change of price is common. Therefore, profitability of company may be affected according that price of metal scrap is fluctuated and company cannot adjust selling price of product in correspond to the cost of metal price used in production, as well as sunk cost from metal scrap inventory.

To minimize effects of such risks, company planned policies to stock sufficient metal scrap for production; in normal situation, supply of metal scrap will be kept to support 1–2 times of monthly demand, and company set policy to order metal scrap only when customers order (Matching Order). This strategy helps company set selling price that corresponds to cost of goods sold and the price is flexible to respond to market situations. Company also closely monitored price fluctuation of long steel and raw materials by using experiences and relationship with metal scrap providers. This method helps company properly forecast price trend and demand of long steel in both domestic and global market and effectively plan production schedules.

1.2 Risk from raw material procurement and dependence on suppliers

As business of company relies much on metal scrap as raw material and top 5 suppliers account for 80–90% of purchasing value, it is very risky for company in case that demand is higher than inventory and suppliers cannot deliver as planned. Company may face scarcity for production and need to bear high cost of metal scrap compared with imported one, thus losing competitive advantage and affecting operating and financial performance.

However, company estimated that effect of material shortage is minimal because there are a few manufacturers of long steel and metal sheet who have their own melting molds so the number of metal scrap are sufficient for the demands (including irregular situation in 2008). Moreover, company has strong relationship with suppliers of metal scrap due to long-term business and company also order imported steel regularly to maintain relationship with global suppliers and maintain inventory in case that domestic supplies are not enough. Company can minimize risk of shortage by monitoring demand trends, planning supply stock, and scheduling production plan.

2. Marketing and distribution risks

2.1 Risk of long steel price fluctuation

Long steel is the key product of company to be processed by forming steel to produce long steel products such as round bar and deformed bar. Normally, demand and supply of long steel depends upon construction business that utilizes long steel as main materials. However, long steel is commodity product so its price will be changing based on demand and production capacity in both domestic and international markets.

Company has realized such risks and set policy to produce based on customers' order, thus helping company to set selling price in correspond to cost of goods sold and market situations. To minimize risks, company also set plan to monitor price of long steel by considering overall economic climates, construction business, and customer interviews in order to forecast demand of long steel and schedule production plan, distribution, and inventory of long steel based on situations and demands.

2.2 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, thereby 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 deformed 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 .

Company is strongly confident that government has no plan to change and/or exempt any privilege as it may affect confidence of investment that receive subsidy and support. However, company may be affected by expiration of government promotion period/amount; 1st phase and 2nd phase earned privileges from of investment promotion such December 2005 and July 2008 respectively, in which exemption of corporate income tax will be expired 8 years since the first date. Committee of investment

promotion has approved further investment for companies that register in MAI stock market within specified period that earn privileges from BOI by changing type of corporate income tax exemption from limited investment to unlimited investment, requiring applicants to submit request to BOI within December 31st, 2012. Company has applied these benefits on September 14th, 2011 to register in MAI stock market and follow BOI regulations, thus gaining tax exemption and unlimited investment. In case that company earns net profit in privileged period more than such investment, full amount of corporate income tax is still be exempted and this is favorable for performance of company.

3. Financial risks

3.1 Foreign exchange risk

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.

Shareholding Structure

Name list of top 10 shareholders as appeared in share register as of 27 December 2013:

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. Mr.Ukit Tantasasathien	19,610,000	2.45%
4. Mrs.Kamolrat Jitpradabsilp	18,850,000	2.36%
5. Miss Preeyanuch Panananda	17,100,000	2.14%
6. Millcon Industries PCL	10,000,000	1.25%
7. Mr.Thiradej Promsarin	7,000,000	0.88%
8. Mr.Chamroen Rungwattanaset	5,160,000	0.65%
9. Mr.Chan Lertprasertpakorn	4,950,000	0.62%
10. Mr.Prasong Nakcharoen	4,672,300	0.58%
Total	631,042,300	78.88%

Note : 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.

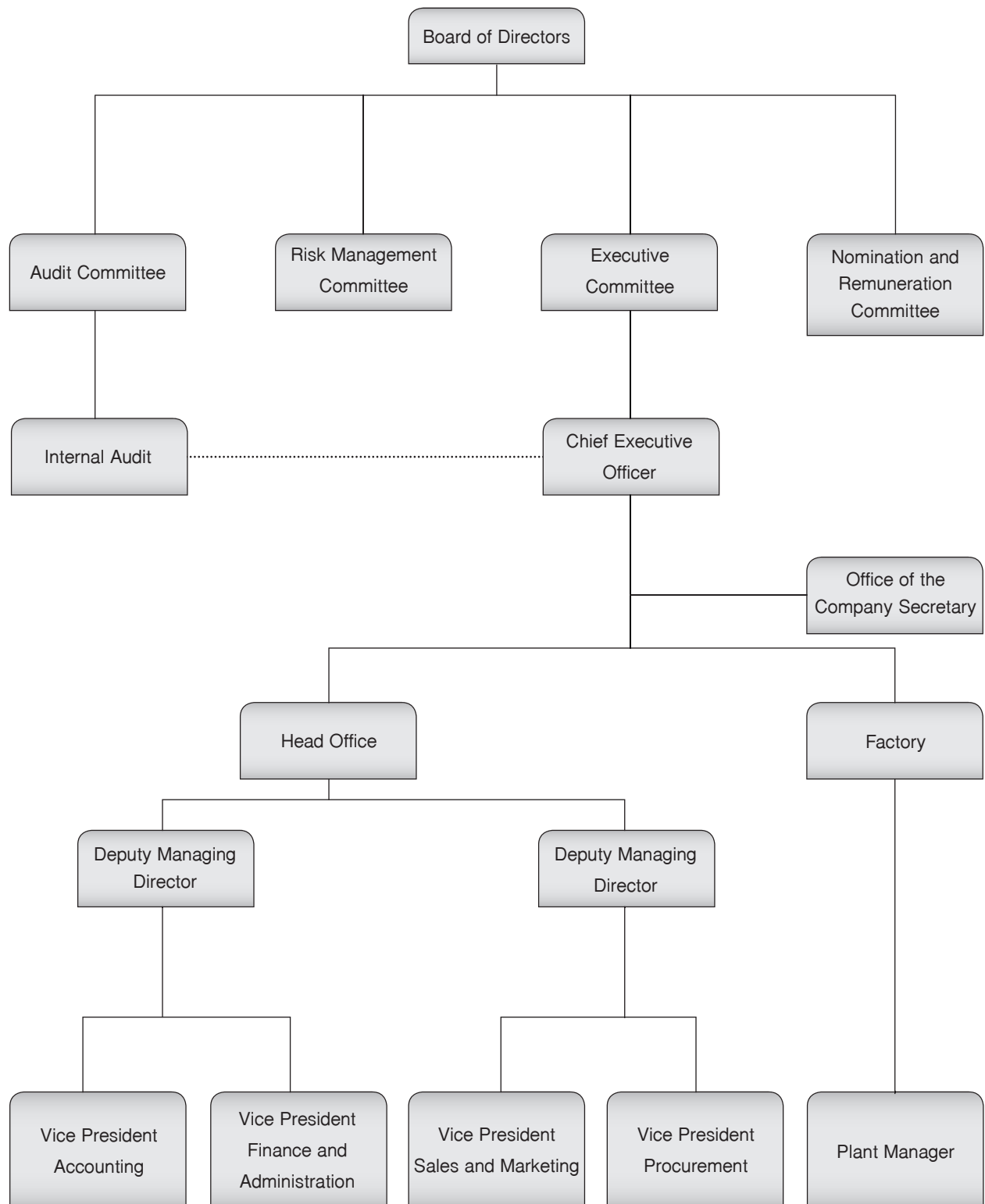
Chow International Co., Ltd. (“subsidiary company”) has a policy to pay dividend at not less than 40% of net profit after corporate income tax in the subsidiary company’s company-only financial statements and after legal reserve and other reserves as determined by the subsidiary company. However, the 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.

Premier Solution 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.

Dividend payment records as listed below.

Operation Period	2011	2013
Earnings per share (THB)	0.30	0.13
Dividend per share (THB)	0.10	0.10
Payout ratio	41.45%	77.59%
Payment Date	4 May 2012	4 December 2013

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 2013):

	Board of Directors 10 members	Audit Committee 4 members	Executive Committee 6 members	Nomination and Remunera- tion Committee 4 members	Risk Manage- ment 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. Satit Cheybubpha			/		

Note : O Chairman X Vice Chairman I Independent Director
/ Director * Audit Committee member with finance and accounting expertise

Miss Sirirat Khongpeng is the Board Secretary and Company Secretary; and Mr. Suttichai Suraphat 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 subcommittee 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. Approved amount of products for common operation is no more than 20,000 metric tons per order and no more than 60,000 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 2013, the Company has five 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 |

Scope of duties and responsibilities of the Chief Executive Officer

- 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.
- Undertake or act in accordance with the policy, work plan and budget approved by the Board and/or the Executive Committee of the Company.
- 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.
- 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.
- Approved amount of products for common operation is no more than 10,000 metric tons per order and no more than 30,000 per month.
- 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.
- 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.
- 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.
- 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.
- 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 abovementioned 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 Director 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 2013 is as follows:

Monetary Remuneration

- Directors' remuneration

By the resolution of the 2013 Annual General Meeting of Shareholder on 26 April 2013, the meeting set out remuneration rates for the Company for the year 2013 which includes but not limited to salaries, bonus, meeting allowance, insurance, special remuneration and other benefits in amount not exceeding 4,000,000 baht as summarized below.

Committees/Remuneration components	Year 2013 (unit : baht)	
	Monthly allowance (Baht/person/month)	Meeting allowance (Baht/person/session)
(1) <u>Remuneration of Board members</u>		
- Chairman	15,000	30,000
- Director	10,000	20,000
(2) <u>Remuneration of 3 Board committees</u>		
1. <u>Audit Committee</u>		
- Chairman	-None-	15,000
- Committee member		10,000
2. <u>Risk Management Committee</u>		
- Chairman	-None-	15,000
- Committee member		10,000
3. <u>Nomination and Remuneration Committee</u>		
- Chairman	-None-	15,000
- Committee member		10,000
(3) <u>Other benefits</u>		
1. Directors & officers liability insurance	Insured amount up to 100 million Baht Insurance premium up to 300,000 Baht	
(4) <u>Bonus, business insurance premium, special compensation, and other remuneration</u>	The Board shall be authorized to allocate payment of bonus, business insurance premium, special compensation, and other remuneration, provided that the total amount of director remuneration of all types shall not exceed 4 million Baht.	

Directors who are the executive management of the Company are not entitled to receive the above monthly and meeting allowances. Meeting allowance is only payable per attendance of each director/committee member.

Summary of 2013 Monetary Remuneration for the Directors of the Company which includes meeting allowance, salaries and bonus.

Name	Title	2013 (Baht)
Dr.Pruchya Piumsomboon	Chairman	480,000
Associate Professor Dr. Narong Yoothanom	Vice Chairman, Independent Director, Audit Committee Member, Chairman of the Nomination and Remuneration Committee	395,000
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	510,000
Mr. Noppadon Jason Chirasanti	Director, Independent Director, Audit Committee Member	380,000
Mr.Kanawath Aran	Director, Independent Director, Audit Committee Member, Member of the Risk Management Committee	410,000
Mr. Sanguankiat Lewmanomont	Director, Member of the Nomination and Remuneration Committee	300,000
Mr. Mark D Remijan	Director	300,000
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		2,775,000

- Remuneration for the Executive Director and the Management

Remuneration	No. of Persons	Remuneration (million Baht)
Salaries, bonus and other welfare	5	10.65

Other remuneration

Provident fund

The company has the provident fund for the employees that began May 30, 20011 wherein employees pay 3% of their salary and the company will match an additional 3% each month into the provident fund. In June 2013, company adjusted scheme of fund by allowing employees to select payment rate based on service years and company is subject to pay at the same rate accordingly as follows;

Service years	Provident fund (percentage of salary)
Less than 3 years	3
3 years but less than 5 years	3 or 5
5 years or more	3 or 5 or 7

In 2013, company paid 347,773 Baht for provident fund of Management team.

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 2013, the Company arranged six Board meetings, five Audit Committee Meetings, ten Executive Committee meetings, six Risk Management Committee meetings, and one Nomination and Remuneration Committee meeting. Details of each director's attendance are shown below:

	Board of Directors 6 meetings	Audit Committee 5 meetings	Executive Committee 10 meetings	Nomination and Remu- neration Committee 1 meeting	Risk Manage- ment Committee 6 meetings
Dr. Pruchya Piumsomboon	6/6	-	-	-	-
Associate Professor Dr. Narong Yoothanom	6/6	5/5	-	1/1	-
Assistant Professor Kalyaporn Pan-ma-rerng	6/6	5/5	-	1/1	6/6
Mr. Noppadon Jason Chirasanti	6/6	5/5	-	-	-
Mr. Kanawath Aran	5/6	5/5	-	-	5/6
Mr. Sanguankiat Lewmanomont	5/6	-	-	0/1	-
Mr. Mark D Remijan	5/6	-	-	-	-
Mr. Anavin Jiratomsiri	5/6	-	10/10	1/1	5/6
Miss Koo Man Wai	4/6	-	10/10	-	-
Miss Sharuta Jiratomsiri	4/6	-	8/10	-	-
Mr. Suttichai Suraphat	-	-	10/10	-	-
Mr. Worrawit Auesapsakul	-	-	10/10	-	-
Mr. Satit Cheybubpha	-	-	9/10	-	-

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 2013

Name	Number of shares (shares)		No. of shares increased (decreased) during the year (shares)
	31 Dec. 2012	31 Dec. 2013	
Dr.Pruchya Piumsomboon	-	888,400	888,400
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	-	78,400	78,400
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. Worravit Auesapsakul	-	-	-

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

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-rereng, 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 2013, the Audit Committee held altogether five meetings, attendance of which by the members is shown here:

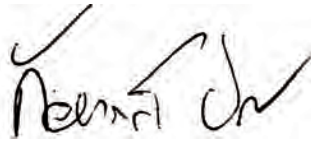
1. Assistant Professor Kalyaporn Pan-ma-rereng	5
2. Associate Professor Dr. Narong Yoothanom	5
3. Mr. Noppadon Jason Chirasanti	5
4. Mr. Kanawath Aran	5

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 2013 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 Tread way 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 2014. We proposed Mr. Pradit Rodroytook from AST Master, Co., Ltd. and/or Mrs. Suvimol Krittayakiern and/or Ms. Somjintana Pholhirunrat from DIA International Auditing Co., Ltd., as the Company's external auditor for the year 2014 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 2013 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. Narong Yoothanom
Member



Mr. Noppadon Jason Chirasanti
Member



Mr. Kanawath Aran
Member

Internal Controls and Risk Management

The Board of Director meeting no. 2/2013 held on February 27th, 2013, 4 audit committees had attended the meeting. Company committee evaluated internal control process of company based on reports of management team and audit committees in 5 factors which are internal control, risk assessment, operation control, information technology and data communication, and follow up process. Committees shared that internal control of company is appropriate and sufficient as company allocates resources to efficiently operate based on system. Furthermore, company is able to monitor operation of affiliates to prevent misuse of assets by unauthorized committees or management. Regarding other aspects of internal control, committees agreed that the processes are suitable and sufficient.

The Chief of an internal audit unit

The audit committee meeting no.2/2013 held on February 27th, 2013, company appointed Pattarakiat Audit & Consulting Company Limited to handle internal audit, effective during January 1st, 2013-December 31st, 2013 and Mr. Chairaj Pattarakiatpong, Internal Control Consultant, is in charge of internal control process.

Committee has verified qualifications of Pattarakiat Audit & Consulting Co., Ltd. and Mr. Chairaj Pattarakiatpong and approved the competency for this responsibility according to company's independency and experiences in internal control process for similar business/industries for 1 year. Moreover, Mr. Chairaj has passed various internal control training which are CERTIFIED PUBLIC ACCOUNTANT: CPA, CERTIFIED INTERNAL AUDITOR: CIA, and THE INSTITUTE OF INTERNAL AUDITORS (IIA)-USA, Class 1 of 1998, with top 5 ranking of Thailand. Company also set up internal control department to coordinate with external auditors.

All aspects regarding appointment, termination, rotation of internal audit chief must be approved by audit committees.

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
Chow International Co., Ltd. ("CI")	Subsidiary company of the Company
Premier Solution Co., Ltd. ("PSCL")	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.	Use of transport service	76.77	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	0.16	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	0.26	The Company leased to Vertex office space and factory space for its business operations at mutually agreed prices.
Premier Solution Co., Ltd.	Receipt of office space rental fees	0.20	The Company leased to PSCL office space for its business operations at mutually agreed prices.

- **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 2,962 million Baht, divided into: 1.1 Overdrafts and short- term loans 1.2 Bank guarantee 1.3 Letter of credit	1,229.64 64.19 -	For use in the Company's business operations; without guarantee fee 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	38.09	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	0.80	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.

Management Discussion and Analysis

Revenue

In 2013, total revenue of company is 4,836 million Baht which is 473 million Baht higher than 2012 or 11% growth. This is derived from increasing price of steel billet according to higher demand, as well as business expansion in term of investment and provide consult related to renewable energy project, thus promoting revenue growth.

Cost of Sales and Service

- **Cost of goods sold and service**

In 2013, company paid 4,520 million Baht for cost of goods sold and service with 96% ratio of cost of goods sold to revenue, which is higher than 95% of 2012 according to effectiveness of inventory management and purchasing of raw materials.

- **Cost of sales**

In 2013, company paid 65 million Baht for cost of sales, which is 9 million Baht higher than 2012, or 15.6% according to more sales volume that caused higher transportation cost.

- **Operation expense**

In 2013, company paid 70 million Baht of operating expense, which is 0.7 million Baht higher than 2012 or 1.11% according to business expansion in term of alternative fuel project development and adjustment of salary base.

- **Financial cost**

Financial cost of company is derived from interest of loan from financial institutes and hire purchase. In 2013, company paid financial cost of 70 million Baht or 22 million Baht decreasing according to effective loan management and decreasing debt.

Net profit

In 2013, company had net profit of 105.17 million Baht or 2.24% and 8.29% Return of Equity Ratio. In 2012, company had net profit of 25 million Baht or 0.62% and 2.00% Return of Equity Ratio. Increasing net profit of company is derived from higher price of steel based on higher demand, as well as business expansion in term of investment and consulting business for alternative fuel project development.

Financial analysis

Assets

As of December 31st, 2013, company had assets of 3,180 million Baht, which is 613 million Baht lower or 16%. Decreasing assets include cash and equivalents, account receivable and Inventory according to better inventory and debt management that settle loan by cash. In addition, other assets include savings as collateral for loan that company requested more credit limit from commercial bank.

Liquidity

In 2013, company receive 383 million Baht of net cash flow from operation and profit. Liquidity is increased according to shorter cycle of debt and more effective raw material management. Company spent 117 million Baht of net cash flow for investment, including savings as collateral with financial institutes and purchase of machine and equipment. Company also spent 663 million Baht for paying both short-term and long-term loan, and pay interim dividend for shareholders, so overall net cash flow is decreased by 397 million Baht.

Sources of fund

Liabilities

Company has total liabilities of 1,871 million Baht, or 644 million Baht decreasing according to payment for both short-term and long-term loan.

Shareholders' equity

Company has shareholder's equity of 1,283 million Baht or 19 million Baht higher according to profit of 105 million Baht. Company paid interim dividend of 0.10 Baht per share, totally 80 million Baht.

Capital structure

Debt to equity ratio as of December 31st, 2013 is 1.43, compared with December 31st, 2012 which is 1.95. This decrease is derived from payment for both short-term and long-term loan.

Audit Fees of the year 2013

Audit Fee

The Company paid auditing remuneration to AST Master Co., Ltd. for which the Company's auditor has worked for the fiscal year 2013 in an amount of 700,000 Baht, and for auditing of its subsidiaries in an amount of 260,000 Baht. The Company and its subsidiaries did not use any other services from the Auditor.

Other service fee

-None-

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 2013. 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 2013 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 Jiratomsiri
Chief Executive Officer

Independent Auditor's Report

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

I have audited the accompanying consolidated financial statements of **Chow Steel Industries Public Company Limited and its subsidiaries**, which comprise the consolidated statements of financial position as at 31 December 2013, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and have also audited the separate financial statements of **Chow Steel Industries Public Company Limited** for the same period.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

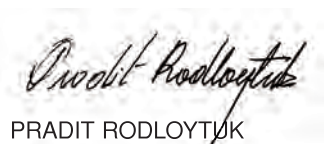
In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Chow Steel Industries Public Company Limited** and its subsidiaries and of **Chow Steel Industries Public Company Limited** as at 31 December 2013, and their financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.

Emphasis of matter

I draw attention to Note 5 to the financial statements regarding the change in accounting policy due to the adoption of Thai Accounting Standard 12 Income Taxes. The Company has restated the financial statements for the year ended 31 December 2012, presented herein as comparative information, to reflect the adjustments resulting from such change. The Company has also presented the statement of financial position as at 1 January 2012 as comparative information, using the same accounting policy for income taxes. My opinion is not qualified in respect of this matter.

Other Matter

The consolidated financial statements of **Chow Steel Industries Public Company Limited and its subsidiaries**, and the separate financial statements of **Chow Steel Industries Public Company Limited** as at 31 December 2012, before the restatement referred to the emphasis of matter paragraph, presented herein as comparative information, were audited by another auditor of the same firm who expressed an unqualified opinion on those financial statements, under her report dated 27 February 2013, and drew attention on the changes in accounting policy for land by changing from cost method to revaluation basis, and for finished goods from specific cost to weighted average cost.



PRADIT RODLOYTIK
Certified Public Accountant
Registration No. 218

Ast Master Co.,Ltd.
20 February 2014

Financial Statements

CHOW STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

		In Baht					
		Consolidated			Separate		
		financial statements			financial statements		
		31 December	31 December	1 January	31 December	31 December	1 January
		2013	2012	2012	2013	2012	2012
			(Restated)	(Restated)		(Restated)	(Restated)
		Notes					
<u>ASSETS</u>							
CURRENT ASSETS							
Cash and cash equivalents	8	38,796,378	435,428,569	613,637,601	35,113,913	433,169,687	610,421,640
Short-term investment	9	34,000,000	-	-	-	-	-
Trade accounts receivable	10	829,928,558	900,204,289	435,457,168	819,071,033	899,643,993	434,741,925
Other receivables	11	79,361,469	59,652,273	24,765,215	23,147,679	56,942,126	24,804,845
Short-term loan to subsidiary	12	-	-	-	37,225,800	-	-
Inventories	13	648,371,875	773,018,563	540,028,827	648,371,875	773,018,563	540,028,827
Account receivable-Revenue Department		8,846,261	24,413,481	36,294,341	8,815,430	24,413,481	36,294,341
Other current assets		5,420,049	5,212,570	5,709,379	5,085,428	5,236,130	3,227,412
Total current assets		1,644,724,590	2,197,929,745	1,655,892,531	1,576,831,158	2,192,423,980	1,649,518,990
NON - CURRENT ASSETS							
Deposits pledged as collateral	14	146,278,546	104,368,973	25,831,317	145,027,545	104,368,973	25,831,317
Available-for-sale investment	15	19,440,000	25,440,000	-	19,440,000	25,440,000	7,200,000
Investment in subsidiaries	16	-	-	-	52,750,000	7,200,000	-
Property, plant and equipment	17	1,368,705,096	1,462,415,838	1,511,933,607	1,310,733,647	1,386,671,900	1,421,044,005
Computer software	18	1	1,613,285	3,381,599	1	1,613,285	3,381,599
Other non - current assets		942,912	895,720	1,160,166	942,912	895,720	1,039,580
Total non - current assets		1,535,366,555	1,594,733,816	1,542,306,689	1,528,894,105	1,526,189,878	1,458,496,501
TOTAL ASSETS		3,180,091,145	3,792,663,561	3,198,199,220	3,105,725,263	3,718,613,858	3,108,015,491

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

CHOW STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES **STATEMENT OF FINANCIAL POSITION (CONTINUED)**

AS AT 31 DECEMBER 2013

		In Baht					
		Consolidated			Separate		
		financial statements			financial statements		
		31 December	31 December	1 January	31 December	31 December	1 January
		2013	2012	2012	2013	2012	2012
			(Restated)	(Restated)		(Restated)	(Restated)
LIABILITIES AND	Notes						
<u>SHAREHOLDERS' EQUITY</u>							
CURRENT LIABILITIES							
Short - term loans from financial institutions	19	1,299,636,292	1,774,992,742	1,160,089,875	1,299,636,292	1,774,992,742	1,160,089,875
Trade accounts payable		296,826,403	369,796,289	248,513,088	293,947,159	367,526,379	247,084,526
Other payables	20	88,324,875	70,328,716	74,556,258	87,442,320	72,952,876	78,303,373
Current portion of long - term loans	21	66,000,000	97,086,188	106,280,000	66,000,000	97,086,188	106,280,000
Long - term loan - classified as current liability	21	66,380,000	132,380,000	-	66,380,000	132,380,000	-
Current portion of liabilities under							
finance lease agreements	22	20,413,998	19,590,147	18,708,958	-	71,030	594,250
Short-term loan from related person	7.2	350,000	-	1,631,080	-	-	-
Other current liabilities		2,033,720	794,990	1,755,277	750,743	651,048	947,091
Total current liabilities		1,839,965,288	2,464,969,072	1,611,534,536	1,814,156,514	2,445,660,263	1,593,299,115
NON-CURRENT LIABILITIES							
Long-term loans	21	-	-	229,466,188	-	-	229,466,188
Liabilities under finance lease agreements	22	17,673,291	39,134,070	58,652,758	-	-	69,328
Deferred tax liabilities	5	9,477,831	9,477,831	-	9,477,831	9,477,831	-
Employee benefit obligations	23	3,506,208	1,105,126	674,774	3,132,961	1,105,126	674,774
Total non - current liabilities		30,657,330	49,717,027	288,793,720	12,610,792	10,582,957	230,210,290
Total liabilities		1,870,622,618	2,514,686,099	1,900,328,256	1,826,767,306	2,456,243,220	1,823,509,405

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

CHOW STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2013

		In Baht					
		Consolidated			Separate		
		financial statements			financial statements		
		31 December	31 December	1 January	31 December	31 December	1 January
		2013	2012	2012	2013	2012	2012
			(Restated)	(Restated)		(Restated)	(Restated)
LIABILITIES AND	Notes						
SHAREHOLDERS' EQUITY (CONTINUED)							
SHAREHOLDERS' EQUITY							
Share capital - Common shares, Baht 1 par value							
Authorized share capital							
800,000,000 common shares		800,000,000	800,000,000	800,000,000	800,000,000	800,000,000	800,000,000
Issued and paid-up share capital							
800,000,000 common shares		800,000,000	800,000,000	800,000,000	800,000,000	800,000,000	800,000,000
Premium on share capital		380,845,258	380,845,258	380,845,258	380,845,258	380,845,258	380,845,258
Retained earnings							
Appropriated for legal reserve	25	11,628,533	6,328,363	5,100,000	11,628,533	6,328,363	5,100,000
Unappropriated		62,043,785	43,827,260	99,586,779	58,072,468	41,904,531	98,560,828
Other components of equity		28,411,698	33,292,486	-	28,411,698	33,292,486	-
Total equity attributable to the parent company		1,282,929,274	1,264,293,367	1,285,532,037	1,278,957,957	1,262,370,638	1,284,506,086
Non-controlling interests		26,539,253	13,684,095	12,338,927	-	-	-
Total Shareholders' equity		1,309,468,527	1,277,977,462	1,297,870,964	1,278,957,957	1,262,370,638	1,284,506,086
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3,180,091,145	3,792,663,561	3,198,199,220	3,105,725,263	3,718,613,858	3,108,015,491

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

CHOW STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

		In Baht			
		Consolidated		Separate	
		financial statements		financial statements	
		2013	2012	2013	2012
Note			(Restated)		(Restated)
Revenues					
	Revenues from sales and services	4,813,437,482	4,349,167,074	4,800,879,392	4,343,036,159
	Other income	22,838,597	14,065,908	22,580,642	14,295,332
	Total Revenues	4,836,276,079	4,363,232,982	4,823,460,034	4,357,331,491
Expenses					
	Cost of sales and services	4,520,357,546	4,117,426,892	4,513,215,395	4,112,635,777
	Selling expenses	65,357,851	56,542,441	79,545,717	66,608,048
	Administrative expenses	70,329,723	48,537,726	61,322,116	45,570,191
	Expenses from stop production	31	-	21,025,126	-
	Total expenses	4,656,045,120	4,243,532,185	4,654,083,228	4,245,839,142
	Profit before financial costs and income tax expense	180,230,959	119,700,797	169,376,806	111,492,349
	Financial costs	(69,942,395)	(92,078,531)	(66,270,912)	(86,925,083)
	Profit before income tax expense	110,288,564	27,622,266	103,105,894	24,567,266
	Income tax expense	27	(1,717,020)	(813,054)	-
	Profit for the year	108,571,544	26,809,212	103,105,894	24,567,266
Other comprehensive income for the year					
	Loss on change in value of available-for-sale investment	(4,880,788)	(4,618,840)	(4,880,788)	(4,618,840)
	Revaluation surplus of land	17	-	37,911,326	-
	Actuarial loss	23	(1,649,691)	-	(1,637,787)
	Total other comprehensive income for the year	(6,530,479)	33,292,486	(6,518,575)	33,292,486
	Total comprehensive income (expense) for the year	102,041,065	60,101,698	96,587,319	57,859,752
Profit attributable to:					
	Equity holders of the parent	105,166,386	25,464,044	103,105,894	24,567,266
	Non-controlling interests	3,405,158	1,345,168	-	-
		108,571,544	26,809,212	103,105,894	24,567,266
Total comprehensive income attributable to:					
	Equity holders of the parent	98,635,907	58,756,530	96,587,319	57,859,752
	Non-controlling interests	3,405,158	1,345,168	-	-
		102,041,065	60,101,698	96,587,319	57,859,752
Basic earnings per share					
	Profit attributable to equity holders of the parent	0.13	0.03	0.13	0.03

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

CHOW STEEL INDUSTRIES PUBLIC COMPANY LIMITED
SEPARATE STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

Notes	In Baht					
	Issued and paid-up share capital	Retained earnings		Other components of equity		
		Premium on share capital	Appropriated for legal reserve	Unappropriated	Change in fair value of available-for-sale investment	Revaluation surplus on land - net of tax
						Total other components of shareholders' equity
						Total
Balance as at 1 January 2012	800,000,000	380,845,258	5,100,000	98,560,828	-	-
Dividend paid	-	-	-	(79,995,200)	-	-
Profit for the year	-	-	-	24,567,266	-	-
Appropriated for legal reserve	-	-	1,228,363	(1,228,363)	-	-
Other comprehensive income (expense)	-	-	-	-	(4,618,840)	37,911,326
Balance as at 31 December 2012 - as restated	800,000,000	380,845,258	6,328,363	41,904,531	(4,618,840)	33,292,486
Balance as at 1 January 2013 - as previously reported	800,000,000	380,845,258	6,328,363	41,904,531	(4,618,840)	42,770,317
Cumulative effect of the change in accounting policy relating to income tax	-	-	-	-	-	(9,477,831)
Balance as at 1 January 2013 - as restated	800,000,000	380,845,258	6,328,363	41,904,531	(4,618,840)	33,292,486
Dividend paid	-	-	-	(80,000,000)	-	-
Profit for the year	-	-	-	103,105,894	-	-
Appropriated for legal reserve	-	-	5,300,170	(5,300,170)	-	-
Other comprehensive income (expense)	-	-	-	(1,637,787)	(4,880,788)	-
Balance as at 31 December 2013	800,000,000	380,845,258	11,628,533	58,072,468	(9,499,628)	28,411,698

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

CHOW STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2013	2012	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before income tax expense	110,288,564	27,622,266	103,105,894	24,567,266
Adjustment to reconcile profit to net cash provided by (used in) operating activities				
Allowance for doubtful accounts	28,000	-	-	-
Loss on diminution in value of inventories (reversal)	(10,968,983)	12,693,936	(10,968,983)	12,693,936
Depreciation	124,578,974	123,440,039	108,317,429	107,195,375
Amortization of computer software	1,613,284	1,768,314	1,613,284	1,768,314
Gain on disposal of equipment	(804,246)	(287,133)	(804,246)	(287,133)
Loss from write-off of assets	1,738,904	40,000	-	40,000
Loss on disposal of available-for-sale investment	256,418	-	256,418	-
Provision for employee benefit obligations	855,391	430,352	494,048	430,352
Interest expenses	69,942,395	92,078,531	66,270,912	86,925,083
Profit from operating activities before change in operating assets and liabilities	297,528,701	257,786,305	268,284,756	233,333,193
Decrease (increase) in operating assets				
Trade accounts receivable	70,247,731	(428,058,643)	80,572,960	(428,213,590)
Other receivables	(17,610,102)	(34,887,058)	35,893,541	(32,137,281)
Inventories	135,615,671	(245,683,672)	135,615,671	(245,683,672)
Account receivable - Revenue Department	15,567,220	11,880,860	15,598,051	11,880,860
Other current assets	(207,479)	496,809	150,702	(2,008,718)
Other non-current assets	44,220	938,046	44,220	159,580
Increase (decrease) in operating liabilities				
Trade accounts payable	(72,969,886)	112,345,418	(73,579,220)	111,504,070
Other payables	26,709,940	(5,662,034)	23,203,225	(6,784,989)
Other current liabilities	597,343	(1,773,341)	99,695	(296,043)
Employee benefit obligations	(104,000)	-	(104,000)	-
Cash received (paid) from operating activities	455,419,359	(332,617,310)	485,779,601	(358,246,590)
Interest paid	(70,887,198)	(90,644,039)	(67,215,715)	(85,490,591)
Income tax paid	(1,167,046)	(673,600)	(91,412)	(15,720)
Net cash provided by (used in) operating activities	383,365,115	(423,934,949)	418,472,474	(443,752,901)

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

CHOW STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2013	2012	2013	2012
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash paid for short-term investment	(34,000,000)	-	-	-
Cash paid for purchase of available-for-sale investment	-	(30,058,840)	-	(30,058,840)
Proceed from disposal of available-for-sale investment	215,254	-	215,254	-
Cash paid for investment in subsidiaries	-	-	(45,550,000)	-
Increase in deposits pledged as collateral	(41,909,573)	(78,537,656)	(40,658,572)	(78,537,656)
Increase in short-term loans to a subsidiary	-	-	(37,225,800)	-
Cash paid for acquisition of plant and equipment (cash flows information 1)	(42,442,002)	(54,589,946)	(42,214,043)	(53,490,946)
Proceed from disposal of equipment (cash flows information 2)	1,418,581	553,271	1,418,581	553,271
Net cash used in investing activities	(116,717,740)	(162,633,171)	(164,014,580)	(161,534,171)
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase (Decrease) in short-term loans from financial institutions	(475,356,450)	614,902,867	(475,356,450)	614,902,867
Cash paid for long-term loans	(97,086,188)	(106,280,000)	(97,086,188)	(106,280,000)
Cash paid for liabilities under finance lease agreements	(20,636,928)	(18,637,499)	(71,030)	(592,548)
Increase (Decrease) in short-term loans from related person	350,000	(1,631,080)	-	-
Dividend paid	(80,000,000)	(79,995,200)	(80,000,000)	(79,995,200)
Cash received for share capital from non-controlling interests	9,450,000	-	-	-
Net cash provided by (used in) financing activities	(663,279,566)	408,359,088	(652,513,668)	428,035,119
Net decrease in cash and cash equivalents	(396,632,191)	(178,209,032)	(398,055,774)	(177,251,953)
Cash and cash equivalents, beginning of year	435,428,569	613,637,601	433,169,687	610,421,640
Cash and cash equivalents, end of year	38,796,378	435,428,569	35,113,913	433,169,687
<u>SUPPLEMENT DISCLOSURE OF CASH FLOWS INFORMATION</u>				
<u>1.Cash paid for acquisition of plant and equipment</u>				
Acquisition of plant and equipment during the year	(33,221,471)	(63,527,729)	(32,993,512)	(62,428,729)
<u>Adjust</u> Increase (decrease) in accounts payable from acquisition of assets	(9,220,531)	8,937,783	(9,220,531)	8,937,783
Cash paid for acquisition of plant and equipment	(42,442,002)	(54,589,946)	(42,214,043)	(53,490,946)
<u>2.Proceeds from disposal of equipment</u>				
Disposal of equipment during the year	614,336	36,954,616	614,336	36,954,616
Gain on disposal of equipment	804,246	287,133	804,246	287,133
Insurance claim receivable	-	(36,688,478)	-	(36,688,478)
Proceeds from disposal of equipment	1,418,581	553,271	1,418,581	553,271

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

NOTES TO THE FINANCIAL STATEMENTS

CHOW STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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 21 December 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 financial statements are prepared in accordance with Thai Financial Reporting Standards (TFRS); guidelines promulgated by the Federation of Accounting Professions ("FAP"); and applicable rules and regulations of the Thai Securities and Exchange Commission.

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

The consolidated financial statements relate to Chow Steel Industries Public Company Limited and subsidiaries (together referred to as "the Group"). Details of the Company's subsidiaries are as follows:

	Percentage of Holding		Nature of business
	2013	2012	
Vertex Logistics Service Co., Ltd.	40	40	Logistic service
Chow International Co., Ltd.	83	-	Holding company
Premier Solutions Co., Ltd.	81	-	Consulting to international investment

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

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

CHOW STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

3. NEW ACCOUNTING STANDARDS ISSUED DURING THE YEAR NOT YET EFFECTIVE

The Federation of Accounting Professions issued the following new/revised accounting standards that are effective for fiscal year beginning on or after 1 January 2013.

Accounting standards:

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

Financial Reporting Standard:

TFRS 8	Operating Segments
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Accounting Standard Interpretations:

SIC10	Government Assistance - No Specific Relation to Operating Activities
SIC21	Income Taxes - Recovery of Revalued Non-Depreciable Assets
SIC25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders

Accounting Treatment Guidance for Transfers of Financial Assets

These accounting standards, financial reporting standard, accounting standard interpretations and accounting treatment guidance do not have any significant impact on the financial statements, except for the following accounting standard.

TAS 12 *Income Taxes*

This accounting standard requires an entity to identify temporary differences arising from differences between the carrying amount of an asset or liability in the statement of financial position and its tax base in order to recognise the tax effects as deferred tax assets or liabilities subjecting to certain recognition criteria. The Company has changed this accounting policy in this year and restated the prior year's financial statements, presented as comparative information, as though the Company had initially recognised the tax effects as deferred tax assets or liabilities. The cumulative effect of this change in accounting policy has been presented in Note 5 to the financial statements.

4. NEW ACCOUNTING STANDARDS ISSUED DURING THE YEAR AND NOT YET EFFECTIVE

During the year, the Federation of Accounting Professions has issued notifications, already published in the Royal Gazette, mandating the use of accounting standards, financial reporting standards, accounting standard interpretations and financial reporting standard interpretations as follows:

		<u>Effective date</u>
Accounting Standard:		
TAS 1 (revised 2012)	Presentation of Financial Statements	1 January 2014
TAS 12 (revised 2012)	Income taxes	1 January 2014
TAS 17 (revised 2012)	Leases	1 January 2014
TAS 18 (revised 2012)	Revenue	1 January 2014
TAS 24 (revised 2012)	Related Party Disclosures	1 January 2014

CHOW STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

		<u>Effective date</u>
TAS 28 (revised 2012)	Investments in Associates	1 January 2014
TAS 31 (revised 2012)	Interests in Joint Ventures	1 January 2014
TAS 34 (revised 2012)	Interim Financial Reporting	1 January 2014
Financial Reporting Standard:		
TFRS 2 (revised 2012)	Share-based Payment	1 January 2014
TFRS 3 (revised 2012)	Business Combinations	1 January 2014
TFRS 4	Insurance Contracts	1 January 2016
TFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2014
TFRS 8 (revised 2012)	Operating Segments	1 January 2014
Accounting Standard Interpretations:		
TSIC 15	Operating Leases - Incentives	1 January 2014
TSIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	1 January 2014
TSIC 29	Service Concession Arrangements: Disclosures	1 January 2014
TSIC 32	Intangible Assets – Web Site Costs	1 January 2014
Financial Reporting Standard Interpretations:		
TFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 January 2014
TFRIC 4	Determining whether an Arrangement contains a Lease	1 January 2014
TFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 January 2014
TFRIC 7	Applying the Restatement Approach under TAS <i>29 Financial Reporting in Hyperinflationary Economies</i>	1 January 2014
TFRIC 10	Interim Financial Reporting and Impairment	1 January 2014
TFRIC 12	Service Concession Arrangements	1 January 2014
TFRIC 13	Customer Loyalty Programmes	1 January 2014
TFRIC 17	Distributions of Non-cash Assets to Owners	1 January 2014
TFRIC 18	Transfers of Assets from Customers	1 January 2014

The management of the Group is currently assessing the impact on the financial statements in the year these standards are effective and has yet to reach a conclusion.

CHOW STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

5. CUMULATIVE EFFECT OF THE CHANGE IN ACCOUNTING POLICIES DUE TO THE ADOPTION OF NEW ACCOUNTING STANDARD

During 2013, the Company adopted TAS 12 Income Taxes as described in Note 3 to the financial statement. The cumulative effect of the change in the accounting policy has been separately presented in the statement of changes in shareholders' equity.

The amounts of adjustments affecting the statements of financial position and comprehensive income are summarised below.

	In Baht					
	Consolidated and Separate financial statements					
	31 December 2012			1 January 2012		
	As previously reported	Adjustment	As Restated	As previously reported	Adjustment	As Restated
Statements of financial position						
Deferred tax liabilities	-	9,477,831	9,477,831	-	-	-
Other components of equity	42,770,317	(9,477,831)	33,292,486	-	-	-

	In Baht		
	Consolidated and Separate financial statements		
	For the year ended 31 December 2012		
	As previously reported	Adjustment	As Restated
Statement of comprehensive income			
Other comprehensive income			
- Revaluation surplus on land	47,389,157	(9,477,831)	37,911,326
Basic earningsper share	0.06	(0.01)	0.05

Deferred tax liabilities are as follows:

	In Baht	
	Consolidated and Separate financial statements	
	31 December 2013	31 December 2012
Revaluation surplus on land	9,477,831	9,477,831

CHOW STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

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 Short - term investments

Short - term investments consist of 3 - 12 months fixed deposit.

6.3 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.

6.4 Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined by the weighted average method of finished goods, 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.

6.5 Investment in subsidiaries

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 is 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 statement.

6.6 Available-for-sale investments

Available-for-sale investments stated at fair value. Changes in value of investments are recognised separately in equity. When the investments are derecognized, the changes previously recognised in equity is recognised in statement of comprehensive income.

The fair value of investments is based on quoted bid price at the reporting date by reference to the Stock Exchange of Thailand.

CHOW STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

6.7 Property, plant and equipment

Land is initially recognised at cost. Land is subsequently carried at the revalued amount less accumulated impairment losses, if any.

Increases in the carrying amount arising on revaluation of land are credited to statement of comprehensive income and shown as gain on asset revaluation in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against gain on asset revaluation directly in equity; all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost is transferred from 'gain on asset revaluation' to retained earnings.

Land improvement, plant and equipment are initially recorded at cost. All assets 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.

When revalued assets are sold, the amounts included in gain on asset revaluation are transferred to retained earnings.

6.8 Computer software

Computer software is 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.

CHOW STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

6.9 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 recognizes the impairment losses in the statement 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.

6.10 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 profit or loss 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 profit or loss on a straight - line basis over the period of the lease.

6.11 Employee benefits

Short-term employee benefits

Salaries, wages, bonuses and contributions to the social security fund are recognised as expenses when incurred.

Post-employment benefits

Defined contribution plans

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

Defined benefit plans

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

The obligation under the defined benefit plan is determined by a professionally qualified independent actuary based on actuarial techniques, using the projected unit credit method.

Actuarial gains and losses arising from other long-term benefits are recognised immediately in profit or loss.

The defined benefits liability comprises the present value of the defined benefit obligation less unrecognised past service cost and unrecognised actuarial gains or losses.

CHOW STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

6.12 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.

6.13 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.

Other income is recognized on an accrual basis.

6.14 Income tax

Income tax expense represents the sum of corporate income tax currently payable and deferred tax.

Current tax

Current income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

Deferred tax

Deferred income tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting period.

The Company recognises deferred tax liabilities for all taxable temporary differences while they recognise deferred tax assets for all deductible temporary differences and tax losses carried forward to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax losses carried forward can be utilised.

At each reporting date, the Company reviews and reduces the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

The Company records deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

6.15 Foreign currency translation

The Company translates 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 statement of financial position date. Gains and losses resulting from the settlement of foreign currency transactions and from the translations of monetary assets and liabilities denominated in foreign currency, are recognized in the statement of comprehensive income.

CHOW STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

6.16 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.

6.17 Financial instruments

Financial assets carried on the statement of financial position include cash and cash equivalents and trade accounts receivable. 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.

6.18 Significant accounting judgements and estimates

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

Allowance for doubtful accounts

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

Allowance for net realizable value

The Group considers the allowance for net realizable value based on the estimate of selling price in the ordinary course of business and normal condition of inventory. The net realizable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

Property plant and equipment and intangible assets

In determining depreciation of plant and equipment and intangible assets, the management is required to make estimates of the useful lives and residual values of the Company's plant and equipment and intangible assets and to review estimate useful lives and residual values when there are any changes.

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

Leases

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgement regarding whether significant risk and rewards of ownership of the leased asset has been transferred, taking into consideration terms and conditions of the arrangement.

Post-employment benefits under defined benefit plans

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

CHOW STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

6.19 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.

7. TRANSACTIONS WITH RELATED PERSON AND COMPANIES

7.1 Relationship and pricing policy

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

	Relationship
<u>Subsidiaries</u>	
Vertex Logistics Service Co., Ltd.	40% Shareholding and Directorship
Chow International Co., Ltd.	83% Shareholding and Directorship
Premier Solution Co., Ltd.	81% Shareholding and Directorship
<u>Related Company</u>	
Lewmanomont International Law Office	Directorship
<u>Related Persons</u>	
Mr. Anavin Jiratomsiri	Shareholder and Director
Mr. Tanachart Poudpongpaiboon	Shareholder and Director of subsidiary
Pricing policies	
Loan to	Interest charged at rate of 12% per annum
Loan from	No interest charged
Disposal of fixed assets	At price which had been agreed upon
Rental incomes	At price which had been agreed upon
Transportation expense	At normal business prices, as same as other entities
Administrative expenses	At price which had been agreed upon
Guarantee	No fee charged

CHOW STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

7.2 Balances of transactions with related parties

Balances of transactions among the Company with subsidiaries, related persons and companies as at 31 December 2013 and 2012 are as follows:

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
<u>Other receivables (Note 11)</u>				
Subsidiaries	-	-	644,703	23,560
<u>Other current liabilities</u>				
Subsidiaries	-	-	63,560	63,560
<u>Disposal of fixed assets</u>				
Subsidiaries	-	-	24,800	-
<u>Other payable (Note 20)</u>				
Subsidiaries	-	-	4,027,562	2,796,622
<u>Accrued expenses</u>				
Related company	21,000	21,000	21,000	21,000
<u>Short-term loan</u>				
Related person	350,000	-	-	-

7.3 Revenues and expenses transactions with related parties

Revenues and expenses transactions with related parties for the years ended 31 December 2013 and 2012 are as follows

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
<u>Rental income</u>				
Subsidiaries	-	-	464,224	264,244
<u>Transportation expense</u>				
Subsidiary	-	-	76,774,169	59,209,452
<u>Legal fee</u>				
Related company	161,000	126,000	161,000	126,000
<u>Directors and management's benefits</u>				
	11,425,785	9,564,993	10,645,785	9,564,993

CHOW STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

8. CASH AND CASH EQUIVALENTS

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Cash	155,700	234,242	152,506	232,052
Deposits at financial institutions				
- Saving Accounts	2,063,591	407,036,683	1,503,383	407,036,683
- Current Accounts	34,535,179	28,145,502	31,416,116	25,888,810
- Fixed Accounts	2,041,908	12,142	2,041,908	12,142
Total	38,796,378	435,428,569	35,113,913	433,169,687

9. SHORT - TERM INVESTMENTS

As at 31 December 2013, the Group has 6 months fixed deposits totalling Baht 34.0 million, bears interest at the rate of 1.75% per annum.

10. TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable as at 31 December 2013 and 2012 are as follows:

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Within credit terms	679,860,050	418,565,775	669,002,525	418,123,479
Overdue:				
Less than 3 months	150,068,508	355,851,057	150,068,508	355,761,057
3 - 6 months	-	125,759,457	-	125,759,457
6 - 12 months	-	28,000	-	-
Over 12 months	28,000	-	-	-
Total	829,956,558	900,204,289	819,071,033	899,643,993
<u>Less</u> Allowance for doubtful accounts	(28,000)	-	-	-
Net	829,928,558	900,204,289	819,071,033	899,643,993

11. OTHER RECEIVABLES

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Other receivables-subsidaries (Note 7.2)	-	-	644,703	23,560
Other receivables - other companies	9,234,885	2,578,607	7,970,643	2,578,607
Insurance claim receivable	-	36,688,478	-	36,688,478
Prepaid expenses	69,891,734	19,932,211	14,505,143	17,586,971
Advance payment	234,850	452,977	27,190	64,510
Total	79,361,469	59,652,273	23,147,679	56,942,126

CHOW STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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Insurance claim receivable

On 28 September 2012, there was a fire incident in substation of the Company. The Company assessed the damage caused by the fire incident and found damage to building and machineries with total net book value of Baht 36.7 million. However, the Company has insurance coverage for direct asset damage and filed a claim with the insurance company. In October 2012, the insurer's surveyor conducted an assessment for the damage in order to quantify the indemnification. On 26 February 2013, the insurer issued a letter confirming an initial compensation payment due to the fire incident amounting to Baht 44.7 million. At the end of the reporting period, the Company recorded insurance claim receivable amounting to Baht 36.7 million in the statement of financial position under other receivables and recorded insurance recovery income amounting to Baht 36.7 million by offsetting it with the loss from the fire incident in the statement of comprehensive income for the year ended 31 December 2012.

During 2013, the Company received the compensation for the fire incident amounting to Baht 44.7 million, the different amount of Baht 8.0 million was recognized as other income in the statement of comprehensive income for the year end 31 December 2013.

12. SHORT-TERM LOAN TO SUBSIDIARY

As at 31 December 2013, the Company has short-term loan to subsidiary amounting to Baht 37.22 million bears interest at the rate of 12% per annum and repayable within March 2014.

13. INVENTORIES

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

	In Baht					
	Cost		Allowance for diminution of Inventories		Inventories –net	
	2013	2012	2013	2012	2013	2012
Finished goods	346,214,025	421,964,834	(4,248,896)	(15,217,879)	341,965,129	406,746,955
Raw materials	225,281,191	281,313,277	-	-	225,281,191	281,313,277
Supplementary material	38,213,566	44,808,247	-	-	38,213,566	44,808,247
Supplies	42,911,989	40,150,084	-	-	42,911,989	40,150,084
Total	<u>652,620,771</u>	<u>788,236,442</u>	<u>(4,248,896)</u>	<u>(15,217,879)</u>	<u>648,371,875</u>	<u>773,018,563</u>

14. DEPOSITS PLEDGED AS COLLATERAL

As at 31 December 2013, the Company and the Group have fixed deposits and saving accounts totaling Baht 145.0 million and Baht 146.3 million, respectively (31 December 2012 : Baht 104.4 million) were pledged as collateral for letters of guarantee (Note 33) and loans facilities from financial institutions (Note 19).

CHOW STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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15. AVAILABLE-FOR-SALE INVESTMENT

Consolidated and Separate financial statements

Available-for-sale investment is investment in marketable securities. Cost and fair value as at 31 December are as follows.

	In Baht	
	2013	2012
Cost	28,939,628	30,058,840
Less Changes in fair value of investment	(9,499,628)	(4,618,840)
Fair value	19,440,000	25,440,000

The movements in available-for-sale investment for the year ended 31 December 2013 are as follows:

	In Baht
Beginning balance	25,440,000
Disposal during the year	(1,119,212)
Changes in fair value	(4,880,788)
Ending Balance	19,440,000

16. INVESTMENT IN SUBSIDIARIES

Separate financial statements

Company's name	Nature of Business	Paid-up Share capital (Million Baht)	Percentage of holding (%)	In Baht	
				At cost	
				2013	2012
Vertex Logistics Service Co., Ltd.	Logistics	18.0	40.0	7,200,000	7,200,000
Chow International Co., Ltd.	Holding company	50.0	83.0	41,500,000	-
Premier Solution Co., Ltd.	Consulting to international investment	5.0	81.0	4,050,000	-
Total				52,750,000	7,200,000

Chow Steel Industries Public Company Limited has power of control in Vertex Logistics Service Co., Ltd, therefore, the Company accounted for as a subsidiary and included in the preparation for the Group's consolidated financial statements.

In June 2013, the Company invested in Chow International Co., Ltd. of 10,000 shares of at a price of Baht 100 per share, which initial paid at Baht 25 per share, totaling Baht 0.25 million.

In August 2013, the Company paid an additional subscription of Baht 0.75 million, total paid-up amount of Baht 1.0 million.

In addition, in August 2013, Chow International Co., Ltd. increased its registered share capital of 500,000 shares at par value of Baht 100 per share. The Company additional invested of 405,000 shares at Baht 100 per share, totaling Baht 40.5 million. Total investment in Chow International Co., Ltd. is amounting to Baht 41.5 million, represented 83 percent of its registered share capital. The Company accounted for as a subsidiary.

In July 2013, the Company invested in Premier Solution Co., Ltd. of 40,499 shares at a price of Baht 100 per share, totaling Baht 4.05 million, represented 81 percent of its registered share capital. The Company accounted for as a subsidiary.

CHOW STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

17. 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 1 January 2012						
Cost	51,182,843	624,287,986	1,087,509,379	16,232,676	147,532,116	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 Allowance for impairment	-	-	(5,182,777)	-	-	(5,182,777)
Net book value	51,162,777	508,119,687	837,213,506	3,504,165	107,438,285	1,511,933,607
Transactions during the year ended						
31 December 2012						
Net book value, beginning of year	51,162,777	508,119,687	837,213,506	3,504,165	107,438,285	1,511,933,607
Add Acquisition	-	40,626,756	8,515,140	745,241	10,008,939	63,527,729
Revaluation surplus on land	47,389,157	-	-	-	-	47,389,157
Transfer in (out)	-	6,889,203	-	-	-	(6,889,203)
Less Disposals/write-off	-	(34,710,815)	(2,017,663)	-	(266,138)	(36,994,616)
Less Depreciation	(19,794)	(31,075,163)	(70,852,623)	(1,616,870)	(19,875,589)	(123,440,039)
Net book value, end of year	98,532,140	489,849,668	772,858,360	2,632,536	97,305,497	1,462,415,838
As at 31 December 2012						
Cost	51,182,843	629,637,838	1,093,235,081	16,977,917	156,334,055	1,948,605,371
Add Revaluation surplus on land	47,389,157	-	-	-	-	47,389,157
Less Accumulated depreciation	(39,860)	(139,788,170)	(315,193,944)	(14,345,381)	(59,028,558)	(528,395,913)
Less Allowance for impairment	-	-	(5,182,777)	-	-	(5,182,777)
Net book value	98,532,140	489,849,668	772,858,360	2,632,536	97,305,497	1,462,415,838

CHOW STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

	In Baht						
	Land and land improvement	Buildings and utility system	Machineries and equipment	Fixtures and office equipment	Vehicles	Construction in progress	Total
Transactions during the year ended							
31 December 2013							
Net book value, beginning of year	98,532,140	489,849,668	772,858,360	2,632,536	97,305,497	1,237,637	1,462,415,838
Add Acquisition	-	9,110,174	2,509,756	1,675,895	10,094,950	9,830,697	33,221,472
Transfer in (out)	-	8,854,923	1,282,750	-	-	(10,137,673)	-
Less Disposals/write-off	-	-	-	(54,377)	(2,298,863)	-	(2,353,240)
Less Depreciation	(19,795)	(33,286,452)	(69,651,104)	(1,205,114)	(20,416,509)	-	(124,578,974)
Net book value, end of year	98,512,345	474,528,313	706,999,762	3,048,940	84,685,075	930,661	1,368,705,096
As at 31 December 2013							
Cost	98,572,000	647,602,935	1,097,027,587	18,308,789	158,237,373	930,661	2,020,679,345
Less Accumulated depreciation	(59,655)	(173,074,622)	(384,845,048)	(15,259,849)	(73,552,298)	-	(646,791,472)
Less Allowance for impairment	-	-	(5,182,777)	-	-	-	(5,182,777)
Net book value	98,512,345	474,528,313	706,999,762	3,048,940	84,685,075	930,661	1,368,705,096

As at 31 December 2013 and 2012, net book value of property, plant and equipment amounting to Baht 1,123.3million and Baht 1,200.6 million, respectively are mortgaged as collateral for loans from financial institutions (Notes 19 and 21).

As at 31 December 2013 and 2012, assets under finance lease agreements included above, comprise of vehicle and fixtures and office equipment with net book value of Baht 57.6 million and Baht 74.5 million, respectively.

CHOW STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

SEPARATE FINANCIAL STATEMENTS

	In Baht					
	Land	Buildings and utility system	Machineries and equipment	Fixtures and office equipment	Vehicles	Construction in progress
						Total
As at 1 January 2012						
Cost	50,984,893	624,287,986	1,087,509,379	16,137,777	36,721,616	1,820,136,838
Less Accumulated depreciation	-	(116,168,299)	(245,113,096)	(12,709,392)	(19,919,269)	(393,910,056)
Less Allowance for impairment	-	-	(5,182,777)	-	-	(5,182,777)
Net book value	50,984,893	508,119,687	837,213,506	3,428,385	16,802,347	1,421,044,005
Transactions during the year ended 31 December 2012						
Net book value, beginning of year	50,984,893	508,119,687	837,213,506	3,428,385	16,802,347	1,421,044,005
Add Acquisition	-	40,626,756	8,515,140	745,241	8,909,939	62,428,729
Revaluation surplus on land	47,389,157	-	-	-	-	47,389,157
Transfer in (out)	-	6,889,203	-	-	-	(6,889,203)
Less Disposals/Write-off	-	(34,710,815)	(2,017,663)	-	(266,138)	(36,994,616)
Less Depreciation	-	(31,075,163)	(70,852,623)	(1,597,892)	(3,669,697)	(107,195,375)
Net book value, end of year	98,374,050	(489,849,668)	772,858,360	2,575,734	21,776,451	1,386,671,900
As at 31 December 2012						
Cost	50,984,893	629,637,838	1,093,235,081	16,883,018	44,424,555	1,836,403,022
Add Revaluation surplus on land	47,389,157	-	-	-	-	47,389,157
Less Accumulated depreciation	-	(139,788,170)	(315,193,944)	(14,307,284)	(22,648,104)	(491,937,502)
Less Allowance for impairment	-	-	(5,182,777)	-	-	(5,182,777)
Net book value	98,374,050	489,849,668	772,858,360	2,575,734	21,776,451	1,386,671,900

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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	In Baht					
	Land and land improvement	Buildings and utility system	Machineries and equipment	Fixtures and office equipment	Vehicles	Construction in progress
Transactions during the year ended 31 December 2013						
Net book value, beginning of year	98,374,050	489,849,668	772,858,360	2,575,734	21,776,451	1,237,637
Add Acquisition	-	9,110,174	2,509,756	1,447,935	10,094,950	9,830,697
Transfer in (out)	-	8,854,923	1,282,750	-	-	(10,137,673)
Less Disposals/Write-off	-	-	-	(54,377)	(559,959)	-
Less Depreciation	-	(33,286,452)	(69,651,104)	(1,173,718)	(4,206,155)	-
Net book value, end of year	98,374,050	474,528,313	706,999,762	2,795,574	27,105,287	930,661
As at 31 December 2013						
Cost	98,374,050	647,602,935	1,097,027,587	17,985,929	49,427,873	930,661
Less Accumulated depreciation	-	(173,074,622)	(384,845,048)	(15,190,355)	(22,322,586)	-
Less Allowance for impairment	-	-	(5,182,777)	-	-	-
Net book value	98,374,050	474,528,313	706,999,762	2,795,574	27,105,287	930,661

As at 31 December 2013 and 2012, net book value of property, plant and equipment amounting to Baht 1,123.3million and Baht 1,166.8million, respectively are mortgaged as collateral for loans from financial institutions (Notes 19 and 21).

As at 31 December 2012, assets under finance lease agreements included above, comprise of vehicle and fixtures and office equipment with net book value of Baht 0.1 million.

CHOW STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

18. COMPUTER SOFTWARE

Consolidated and separate financial statements

	In Baht	
	2013	2012
As at 1 January		
Cost	8,840,845	8,840,845
<u>Less</u> Accumulated amortization	(7,227,560)	(5,459,246)
Net book amount	<u>1,613,285</u>	<u>3,381,599</u>
Transactions during the year ended 31 December		
Net book value, beginning of year	1,613,285	3,381,599
<u>Less</u> Amortization for the year	(1,613,284)	(1,768,314)
Net book value, end of year	<u>1</u>	<u>1,613,285</u>
As at 31 December		
Cost	8,840,845	8,840,845
<u>Less</u> Accumulated amortization	(8,840,844)	(7,227,560)
Net book amount	<u>1</u>	<u>1,613,285</u>

19. SHORT-TERM LOANS FROM FINANCIAL INSTITUTIONS

	In Baht			
	Interest rate (% per annum)		Consolidated and Separate financial statements	
	2013	2012	2013	2012
Short-term loans	MMR, Prime+1%	MMR, Prime+1%	<u>1,299,636,292</u>	<u>1,774,992,742</u>

As at 31 December 2013 and 2012, the Company has overdraft and short-term loan facilities amounting to Baht 50 million and Baht 2,200 million, respectively.

The overdrafts and the short-term loans facilities from financial institutions are secured by fixed deposits and saving accounts (Note 14), property, plant and equipment (Note 17) and guarantee by the director.

20. OTHER PAYABLES

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Accrued expenses	81,176,407	57,711,014	83,024,855	57,538,552
Other payables - subsidiaries (Note 7.2)	-	-	1,676,159	2,796,622
- other	6,478,156	1,984,894	2,070,994	1,984,894
Advance received from sales of goods	-	741,965	-	741,965
Payable from acquisition of assets	670,312	9,890,843	670,312	9,890,843
Total	<u>88,324,875</u>	<u>70,328,716</u>	<u>87,442,320</u>	<u>72,952,876</u>

CHOW STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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21. LONG-TERM LOANS FROM FINANCIAL INSTITUTIONS

	In Baht	
	Consolidated and Separate financial statements	
	2013	2012
Long-term loans from financial institutions	132,380,000	229,466,188
<u>Less</u> Current portion	(66,000,000)	(97,086,188)
Long - term loan - classified as current liability	(66,380,000)	(132,380,000)
Net	-	-

As at 31 December 2013, the loans from financial institutions of Baht 132.38 million (2012: Baht 229.47 million) bear interest at the rate of MLR -0.5 per annum. The loans will be repaid on a monthly basis as stipulated in the loan agreements.

Such credit facilities are guaranteed by fixed deposits and saving accounts (Note 14), property, plant and equipment (Note 17) and guarantee by the director.

On 29 June 2009, a financial institution approved one year grace period from March 2009 to 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 31 December 2013 are as follows:

	In Baht
Transactions during the year ended 31 December 2013	
Balance, beginning of year	229,466,188
Repayment during the year	(97,086,188)
Balance, the end of year	<u>132,380,000</u>

The maturity period of long-term loans are as follows:

	In Baht	
	Consolidated and Separate financial statements	
	2013	2012
Current portion due within one year	66,000,000	97,086,188
Long - term loan - classified as current liability	66,380,000	132,380,000
Total long-term loans from financial institutions	<u>132,380,000</u>	<u>229,466,188</u>

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.

According to the conditions stipulated in the loan agreements, the Company agrees not to mortgage or otherwise encumber its assets with any other parties throughout the loan period. In addition, the Company has to comply with certain covenants, pertaining to matters such as maintaining certain financial ratios. As at the end of the reporting period, the Company was unable to maintain certain financial ratios as stipulated in the loan agreements, to comply with generally accepted accounting principles, the Company therefore reclassified the loan as at 31 December 2013 as current liability.

CHOW STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

22. LIABILITIES UNDER FINANCE LEASE AGREEMENTS

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2013	2012	2013	2012
Liabilities under finance lease agreements	40,752,000	65,158,820	-	74,420
<u>Less</u> Deferred interest charges	(2,664,711)	(6,434,603)	-	(3,390)
	38,087,289	58,724,217	-	71,030
<u>Less</u> Current portion	(20,413,998)	(19,590,147)	-	(71,030)
Net	17,673,291	39,134,070	-	-

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.

23. EMPLOYEE BENEFIT OBLIGATIONS

The Company pays 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

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2013	2012	2013	2012
Defined benefit obligations at 1 January	1,105,126	674,774	1,105,126	674,774
Current service costs and interest	855,391	430,352	494,048	430,352
Benefits paid	(104,000)	-	(104,000)	-
Actuarial loss	1,649,691	-	1,637,787	-
Defined benefit obligations at 31 December	3,506,208	1,105,126	3,132,961	1,105,126
Expenses recognised in profit or loss				
For the year ended 31 December				
Current service costs	801,462	393,085	440,119	393,085
Interest on obligation	53,929	37,267	53,929	37,267
Total	855,391	430,352	494,048	430,352

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

For the year ended 31 December

Cost of sales	604,517	224,378	243,174	224,378
Administrative expenses	250,874	205,974	250,874	205,974
Total	855,391	430,352	494,048	430,352

CHOW STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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Principal actuarial assumptions at the reporting date

	Consolidated and Separate financial statements	
	2013	2012
Discount rate	4.37 % per annum	3.49 % per annum
Salary increase rate	7.3 % per annum	5% per annum
Employee turnover rate	Scale related to Age ranging from 0 – 22.6 %	Scale related to Age ranging from 0 – 29.4 %
Mortality rate	According to Thailand TMO 2008 male and female tables	According to Thailand TMO 1997 male and female tables

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

As at 31 December 2013 and 2012, the Company has authorized and paid-up share capital amounting to Baht 800 million (divided into 800 million of common shares with a par value of Baht 1 per share).

25. 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 2013 and 2012, the Company has appropriated for legal reserve of Baht 5.3 million and Baht 1.2 million, respectively.

26. DIVIDEND PAID

At the Ordinary Shareholders' Meeting dated 5 April 2012, the shareholders approved the payment of dividends at Baht 0.1 per share for 800 million shares totaling Baht 80.0 million. The Company had already paid for such dividends on 3 May 2012.

At the Board of Directors Meeting No. 5/2556 dated 8 November 2013, the Board of Directors approved the payment of dividends at Baht 0.1 per share for 800 million shares totaling Baht 80.0 million. The Company had already paid for such dividends on 4 December 2013.

27. INCOME TAX

	In Baht	
	Consolidated financial statements	
	2013	2012
Current income tax:		
Income tax expense	1,713,806	813,054
Deferred tax	-	-
Total	1,713,806	813,054

There is no income tax for year 2013 and 2012 to be paid due to the Company received tax benefit from BOI privileges (Note 30).

As at 31 December 2013 and 2012, the deferred tax liabilities of Baht 9.48 million from revaluation surplus on land, which presented by offset with revaluation surplus on land, which presented in Other components of equity.

CHOW STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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28. EXPENSES BY NATURE

Significant expenses by nature for the years ended 31 December 2013 and 2012 are as follows:

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Changes in finished goods	75,750,808	(212,356,563)	75,750,808	(212,356,563)
Raw materials and supplies used	3,609,453,489	3,560,007,650	3,609,453,489	3,560,007,650
Utilities	576,821,728	465,698,836	576,821,728	465,698,836
Transportation expenses	76,598,617	62,692,228	76,598,617	62,692,228
Staff costs	157,157,235	118,069,808	144,988,235	110,756,062
Depreciation and amortization	126,192,258	125,208,353	109,930,713	108,963,689

29. SEGMENT INFORMATION

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

The 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 investment and consultant

Revenues and profit (loss) classified by segment for the year ended 31 December 2013 are as follows

	In Thousand Baht		
	a	b	Total
Sales and service income	4,802,580	10,858	4,813,438
Profit (loss) from segment	180,190	298	180,488

Revenues and profit (loss) classified by segment for the year ended 31 December 2012 are as follows:

	In Thousand Baht		
	a	b	Total
Sales and service income	4,349,167	-	4,349,167
Profit (loss) from segment	119,700	-	119,700

CHOW STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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30. 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 20 April 2005
Investment promotion certificate No. 2228 (2) / 2550 dated 7 December 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 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 31 December 2013 and 2012 amounting to Baht 4,800.9 million and Baht 4,343.0 million, respectively, are the results of the operation under privileges granted.

31. EXPENSES FROM STOP PRODUCTION

The Company was affected by a fire incident and had to stop production at its factory since 27 September 2012. In December 2012, the Company was able to restart its operation and started to resume its normal production.

The details of other expenses from stop production in the statement of comprehensive income for the year ended 31 December 2012 are as follows:

	In Million Baht
Staff costs	4.26
Depreciation	11.47
Other expenses	5.30
	<u>21.03</u>

32. 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 particular risks are as follows:

32.1 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.

CHOW STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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32.2 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.

32.3 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.

32.4 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 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.

32.5 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.

33. COMMITMENT AND CONTINGENT LIABILITY

33.1 Operating lease commitments and service agreements

As at 31 December 2013, the Group has commitment on rental and service agreements as follows;

Consolidated and separate financial statements

	Baht
Within 1 year	2,370,000
1 to 3 years	2,172,500
Total	4,542,500

33.2 Contingent liabilities

As at 31 December 2013, the Company has letters of guarantee issued by bank for the payment of electricity fee amounting to Baht 64.2 million (Note 14).

34. 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 31 December 2013, debt to equity ratio in the financial statements is 0.90:1.

CHOW STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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35. EVENT AFTER THE REPORTING PERIOD

On 17 January 2014, at the Board of Directors Meeting No.1/2557, the Board of Directors approved to establish 2 new subsidiaries that directly owned by Chow International Co., Ltd. and Premier Solution Co., Ltd. Both subsidiaries invest and develop such solar power plants project in Japan. In addition, the Board of Directors approved the new established subsidiary to invest in the Solar Power Plants in Japan approximately 18 MW with the total value of about Yen 5,933.35 million.

36. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorized for issue by the Board of Directors on 20 February 2014.



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