



Creating a better tomorrow



Annual Report 2012

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. Continue to develop human capital so that employees have the skills and knowledge necessary to work in the capacity assigned to them.
5. Increase quality of life, respect the community and environment and practice CSR



Annual Report 2012 CHOW

CREATING A BETTER TOMORROW

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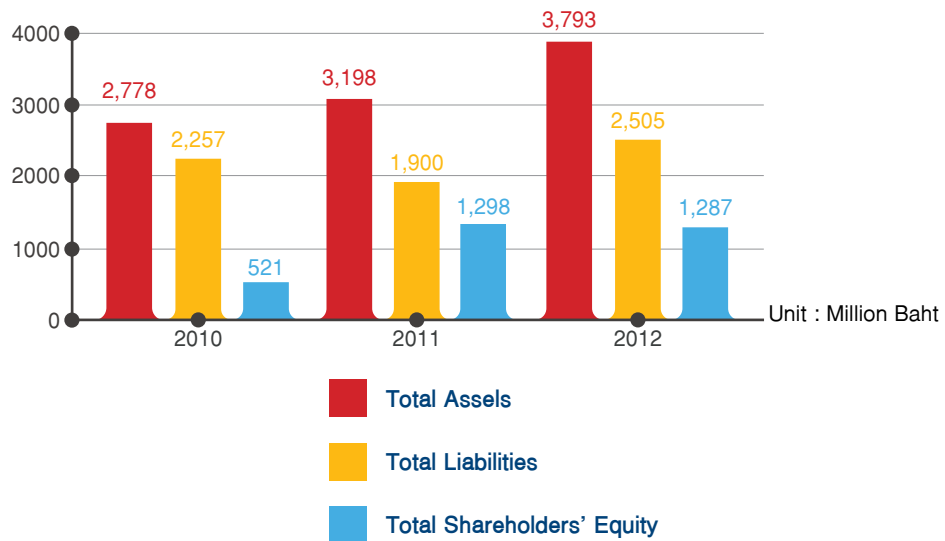
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Keep you update
everything
about us
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Financial Highlight

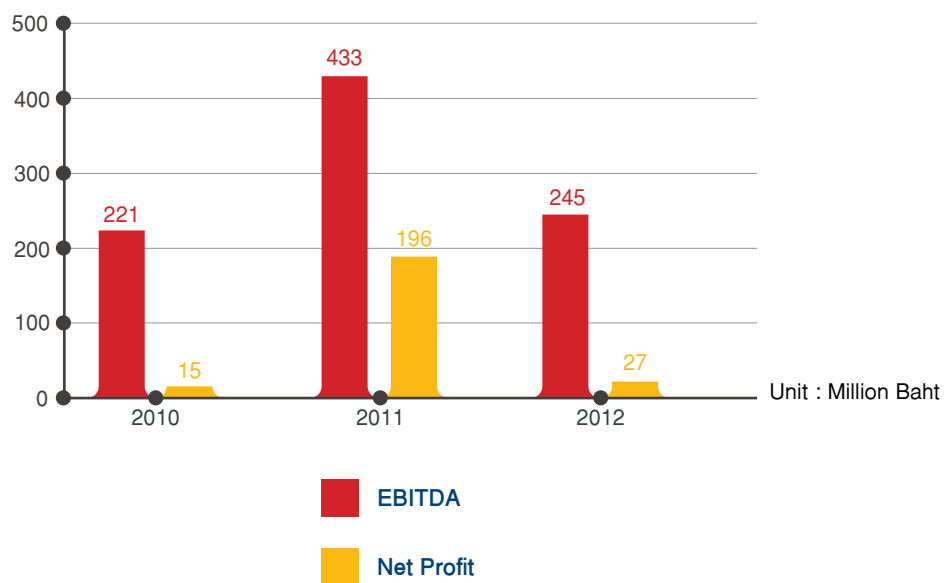
(Unit: Million Baht)

	Consolidated Financial Statements		
	2010	2011	2012
Financial Highlights			
Operating Performance			
Total Revenues	3,892.83	5,701.08	4,363.23
Gross Profit	197.71	409.57	231.74
Earning Before Interest, Tax, Depreciation and Amortization (EBITDA)	221.25	433.45	244.91
Net Profit (Loss) - on Company's part	15.75	194.32	25.46
Financial Position			
Total Asset	2,777.62	3,198.20	3,792.66
Total Liabilities	2,256.91	1,900.33	2,505.21
Shareholders' Equity	520.72	1,297.87	1,287.46
Shareholders' Equity - on Company's part	510.36	1,285.53	1,273.77
Registered Capital	800.00	800.00	800.00
Paid - up Capital	600.00	800.00	800.00
Financial Ratios			
Gross Profit Margin	5.11%	7.20%	5.33%
Net Profit Margin	0.40%	3.45%	0.62%
Return on Equity	3.09%	15.12%	2.08%
Debt/Equity Ratio (times)	4.33	1.46	1.95
Stock Data (Baht Per Share)			
Net Earning Per Share	0.03	0.32	0.03
Par Value	1.00	1.00	1.00
Book Value	0.87	1.62	1.61

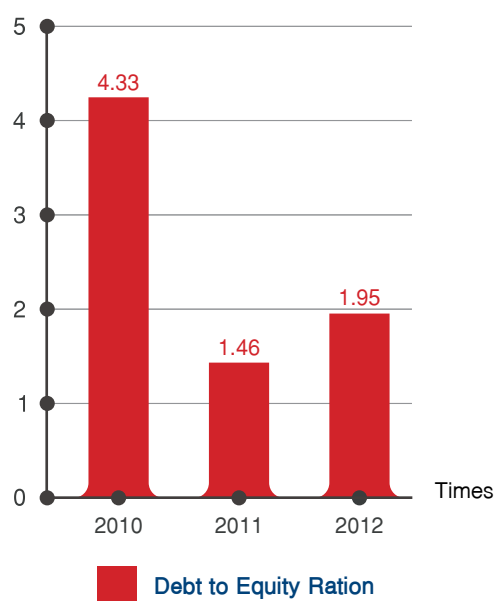
Financial Positions



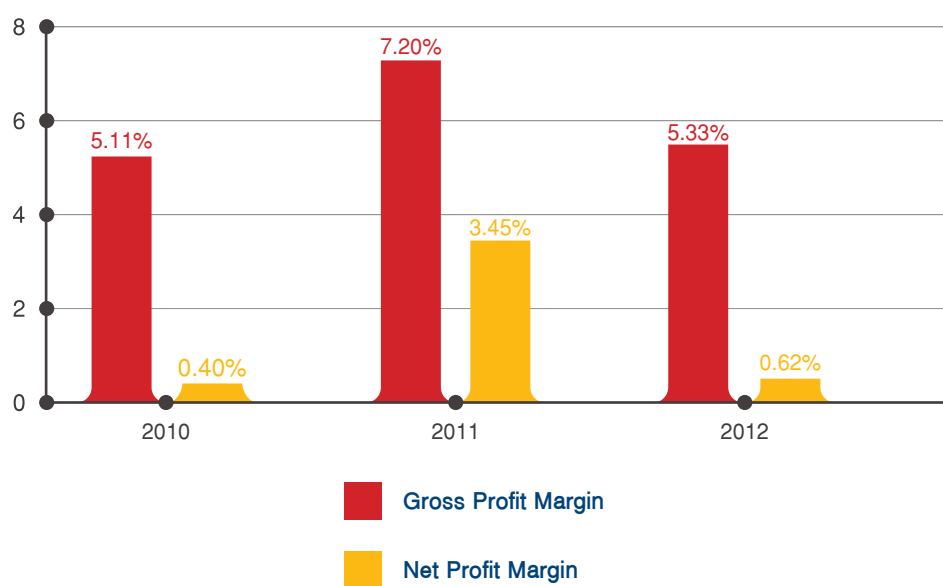
Operational Performance



Debt / Equity Ratio



Profit Margin



Messages from the Chairman



Dear Shareholders

CHOW Steel Industries Public Company Limited has realized the importance of quality development of steel billet in global standard. Company focuses on quality product and enhanced production capacity and quality control to maintain competitive standard. Products are improved to satisfy customers' needs. Human resources have been continually developed to enhance skills and capabilities for the jobs. Company also focuses on improving life quality of communities, environment preservation, and social responsibility.

This year, company was proud to receive award from Thai Investor Association, having "Excellent" level from evaluation of common stockholders in annual meeting as of 2012. This award shown that company has equally respected all shareholders based on global standard. Thai Institute of Directors has evaluated administration of company in 2012 as "Very Good", showing that company has equally respected all shareholders based on good governance to achieve sustainable development. Company also achieved "CSR - DIW" from Ministry of Industry as industrial factory that involves in corporate social responsibility.

Despite the fact that economic situation in 2012 was not favorable for steel industry and fire damage that caused temporary interruption of production, company is highly committed to find solution to encounter crisis by applying systematic risk management policy to handle the problems with qualified staffs that follow working procedures. Company is confident that 2013 will be the year that production capacity will be efficiently utilized to increase competitive advantage to international standard.

Finally, as President, I would like to thank shareholders, customers, committees, management, employees, and all supporters for your trust and assistance that help company achieve vision, goals, policies, and performances, while maintaining good governance for the utmost benefits to all stakeholders.

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

Messages from the Chief Executive Officer



Dear Shareholders

With cooperation from all related persons, 2012 is marked successful year of business as company invested in melting molds to enhance capacity and flexibility of production. During crisis, strong management and employees of company implemented systematic risk management policies to cope with problems, and expand business with strong determination to enhance competitive advantages to international standard. Company aims to increase revenue by focusing on product quality and customer satisfaction to support business growth in the future.

Finally, company appreciated supports and trust from shareholders, customers, partners, sponsors, and employees. Company promises to create sustainable business growth by applying efficient, transparent management by taking good governance and benefits of all stakeholders into account, and following missions to achieve the goals.

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

Mr. Anavin Jiratomsiri
Chief Executive Officer

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

**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



6

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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: 60 years

Education

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

Other Current Position(s)

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

Shareholding as of 31 December 2012

-None-

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: 71 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 2012

-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: 60 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

Shareholding as of 31 December 2012

-None-

Appointed as director in 2009



Mr. Noppadon Jason Chirasanti

Position

Director, Independent Director, Audit Committee Member

Age: 42 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
Revolvic Tech Company Limited

Shareholding as of 31 December 2012

-None-

Appointed as director in 2009



Mr. Kanawath Aran

Position

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

Age: 46 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

Shareholding as of 31 December 2012

-None-

Appointed as director in 2009



Mr. Sanguankiat Lewmanomont

Position

Director, Nomination and Remuneration Committee Member

Age: 37 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

Shareholding as of 31 December 2012

-None-

Appointed as director in 2009



Mr. Mark D. Remijan

Position

Director

Age: 46 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 2012

-None-

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: 34 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 Sen-ryo Nihonmura Co., Ltd.
- Director Me Concept Co., Ltd.
- Director VERTEX Logistics Company Limited
- Director The Association of Thai Steel Industries
- Advisor Thai-Europe Trade Association

Shareholding as of 31 December 2012

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: 39 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 2012

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: 35 years

Education

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

Other Current Position(s)

-none-

Shareholding as of 31 December 2012

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: 39 years

Education

- Master of Business
Administration,
Ramkhamhaeng University

Other Current Position(s)

-

Shareholding as of 31 December 2012

-None-



Mr. Worravit Auesapsakul

Position

Executive Director Vice
President - Accounting
Age: 33 years

Education

- Master of Accounting,
Thammasat University

Other Current Position(s)

-

Shareholding as of 31 December 2012

-None-

Company Secretary Profile



Miss Sirirat Khongpeng

Age : 32 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

Other Current Position(s)

-none-

Shareholding as of 31 December 2012

-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.
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
website	:	www.vertexlogistics.co.th
Registered capital	:	18,000,000 บาท
Paid-up capital	:	18,000,000 บาท
Shareholding by CHOW	:	40%

References

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

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, energyefficient 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					
		2010		2011		2012	
		Million Baht	%	Million Baht	%	Million Baht	%
Steel products							
- Steel billet SR 24	the Company	1,405.78	36.11%	1,928.50	33.83%	1,665.85	38.18%
- Steel billet SD 30	the Company	1,244.33	31.96%	3,364.34	59.01%	2,453.65	56.23%
- Steel billet SD 40	the Company	-	-	71.61	1.26%	0.01	0.00%
- Steel billet 3 SP	the Company	90.47	2.32%	-	-	-	-
- Steel billet 5 SP	the Company	1,094.50	28.12%	305.67	5.36%	223.53	5.12%
- Steel billet SS 400	the Company	36.15	0.93%	9.66	0.17%	-	-
Total Revenues from sales		3,871.23	99.45%	5,679.78	99.63%	4,343.04	99.54%
Transport service income	Subsidiary	1.34	0.03%	5.44	0.10%	6.13	0.14%
Other revenues	Company & Subsidiary	20.25	0.52%	15.86	0.28%	14.06	0.32%
Total revenues		3,892.83	100.00%	5,701.08	100.00%	4,363.23	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 Responsibility (CSR)

CSR Policy

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

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

CSR Activities

Company has implemented activities which are responsible for environments, societies, and local communities (Corporate Social Responsibility: CSR) which is ongoing project. Company has achieved award that certifies responsibilities of company toward societies about Department of Industrial Works (CSR-DIW) from Ministry of Industry. Throughout the year 2012, company has involved in many activities conducted by government and private sectors, and local communities of Kabinburi industrial area, Kabinburi District, Prachinburi Province. Company's social activities are as follows;

• Education

Company has continually developed education activities for children by cooperating with school in Nong Kee and Toong Pho Sub-district Administration Organizations, Nadee Municipality, government organizations, government officers in the education area of Prachinburi Province. Key supports include improvement of school to be knowledge source, and scholarship for underprivileged students, as opportunity for them to gain and apply knowledge for local development in the future. Activities of 2012 include scholarship for children of police officers in Prachinburi Province, Journal contest in the topic of "Green Factory", donation for library of Kok Kee Lek School, donation of 800 stationery sets in Children Day.



• Environment

Company strongly focuses on efficient production process that minimizes effect to environments and local areas. Company received certification from Ministry of industry, 1st Level (Green Commitment), committing to minimize effects to environments and applying corporate communication to



create awareness internally, and 2nd Level (Green Activity), implementing activities to minimize effects to environments as planned. Activities of 2012 include youth camp to save environment, Mangrove forest preservation center of Samutsongkram Province.

• Society

Company believes that happy social living is based on supportive environment that people have occupation and earn reasonable income, thus creating sustainable community. Therefore, company focuses on local employments by supporting agricultural career developments that are eco-friendly and promoting knowledge management in local production by cooperating with local organizations such as District Agricultural Office, Land Development Office, Local Development Office of Prachinburi Province. Activities of 2012 include field trip at mushroom farm, Pattaya, donation of survival kits for flood victims in Prachinburi Province, donation of surveillance kits of coordinating officers, Nong Kee Local Organization, of Prachinburi Province.

• Religion

Company got involved in local communities by joining Buddhism ceremonies and local traditions such as ropes offering for Buddhist monks, and supporting renovation of temples by donating metal sheet for of Kok Larn temple, Tod temple, Malao temple, and Kok Udom temple.

• Sports

Company has continually allocated budget to support recreational and sport activities for local communities in order to promote relationships among people, as well as public activities for local people to minimize drug, including friendly football matches, Sports Day, etc.



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, whereby the six existing member countries (Brunei Darussalam, Indonesia, Malaysia, Philippines, Singapore and Thailand) and the four new member countries (Vietnam, Laos, Myanmar and Cambodia) are required to reduce tariffs under CEPT scheme to 0% by 2010 and by 2015, respectively.

List of goods entitled under CEPT scheme covers a total of 105,123 items, including iron and steel which meet the production process criteria whereby the products have adequately been processed in home country. Steel billet, steel bar and 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 28 December 2012:

Names	No. of shares held	Shareholding proportion
1. Jiratomsiri Group ^{1/}	510,000,000	63.75%
2. Hansaward Group ^{2/}	33,700,000	4.21%
3. Mrs. Kamolrut Jitpradabsilp	18,140,000	2.27%
4. Ms. Preeyanut Panananda	17,100,000	2.14%
5. Mr. Ukrit Tantasathien	16,650,000	2.08%
6. Millcon Steel Industries Plc.	10,000,000	1.25%
7. Mr. Thiradej Promsarin	7,000,000	0.88%
8. Mr. Kanit Phungprakarn	5,000,000	0.63%
9. Mr.Chan Lertprasertpakorn	4,950,000	0.62%
10. Mr.Chamroen Rungwattanasat	4,030,000	0.50%
Total	626,570,000	78.32%

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.

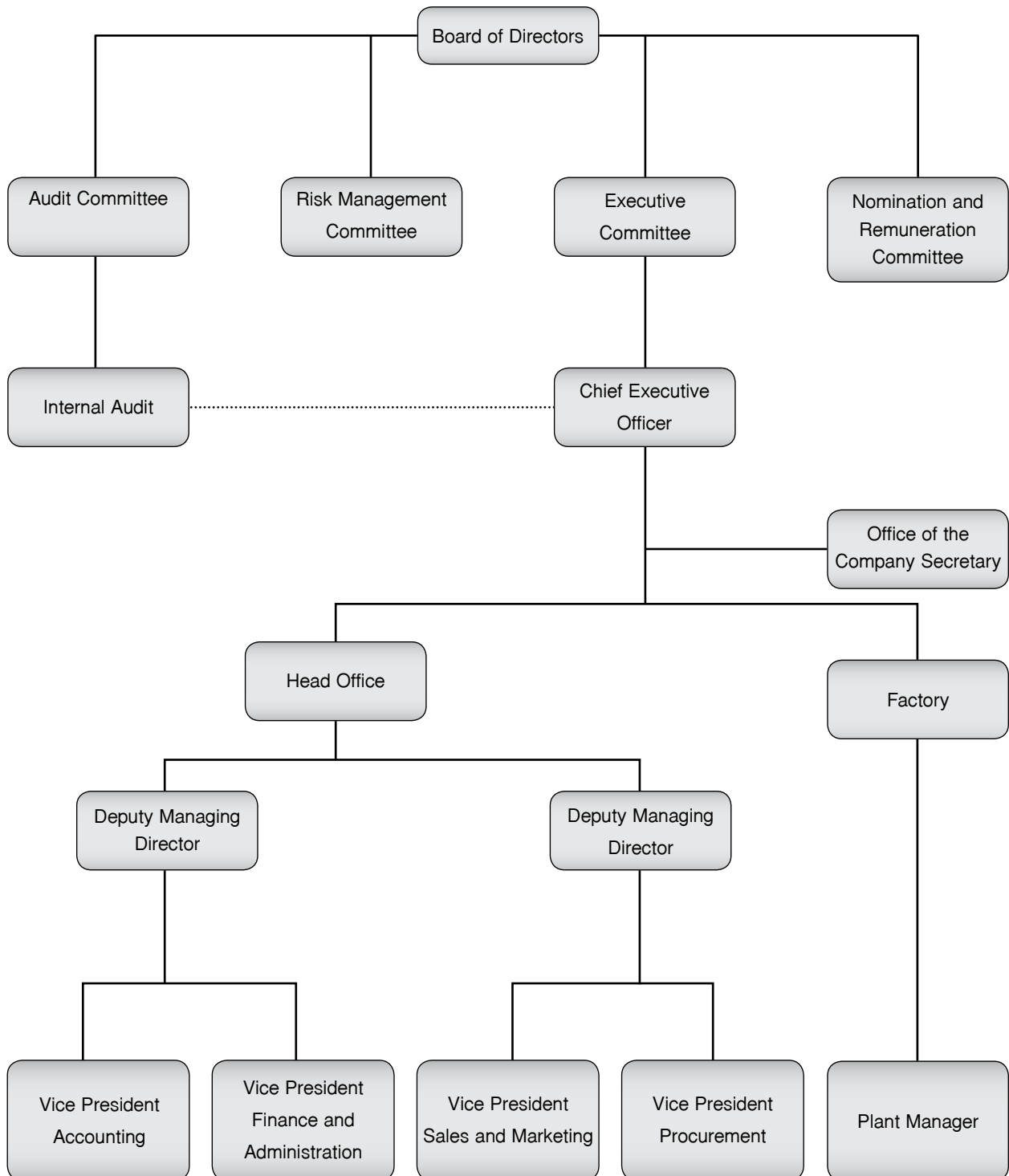
2/ Hansaward Group consists of (a) Ms. Rosalind Hansaward holding 18,800,000 shares, and (b) Mr. Dome Hansaward holding 14,900,000 shares.

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.

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 2012):

	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. Worrawit Auesapsakul			/		
Mr. Satit Cheybubpha *Appointed on 9 August 2012*			/		

หมายเหตุ : 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 2012, 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 2012 is as follows:

Monetary Remuneration

- Directors' remuneration

By the resolution of the 2012 Annual General Meeting of Shareholders on 5 April 2012, the meeting set out remuneration rates for the directors of the Company for the year 2012 which includes but not limited to salaries, bonus, meeting allowance, insurance, special remuneration and other benefits in amount not exceeding 3,000,000 Baht as summarized below.

1) Meeting allowance for the Board of Directors

Chairman	30,000 Baht/each meeting
Director	20,000 Baht/each meeting

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

2) Meeting allowance for the Audit Committee

Chairman	15,000 Baht/each meeting
Member	10,000 Baht/each meeting

3) Meeting allowance for Nomination and Remuneration Committee

Chairman	15,000 Baht/each meeting
Director	10,000 Baht/each meeting

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

4) Meeting allowance for the Risk Management Committee

Chairman	15,000 Baht/each meeting
Director	10,000 Baht/each meeting

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

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

Summary of 2012 Monetary Remuneration for the Directors of the Company

Name	Title	Meeting Allowance (Baht)
Dr.Pruchya Piumsomboon	Chairman	120,000
Associate Professor Dr. Narong Yoothanom	Vice Chairman, Independent Director, Audit Committee Member, Chairman of the Nomination and Remuneration Committee	165,000
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	315,000
Mr. Noppadon Jason Chirasanti	Director, Independent Director, Audit Committee Member	130,000
Mr.Kanawath Aran	Director, Independent Director, Audit Committee Member, Member of the Risk Management Committee	210,000
Mr. Sanguankiat Lewmanomont	Director, Member of the Nomination and Remuneration Committee	80,000
Mr. Mark D Remijan	Director	60,000
Mr. Anavin Jiratomsiri	Director, Executive Director, CEO, Member of the Nomination and Remuneration Committee, Member of the Risk Management Committee	-
Miss Koo Man Wai	Director, Duputy Managing Director, Executive Vice President, VP - Procurement	-
Miss Sharuta Jiratomsiri	Director, Executive Director, VP - Sales and Marketing	-
Total		1,080,000

- Remuneration for the Executive Director and the Management

Remuneration	No. of Persons	Remuneration (million Baht)
Salaries, bonus and other welfare	6	8.84

Note: including remuneration of Mr.Sompop Iamsuwan who resigned on April 30, 2012 .

- Other remuneration

The company has the provident fund for the employees that began May 30, 2011 wherein employees pay 3% of their salary and the company will match an additional 3% each month into the provident fund.

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 nonmanagement 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 2012, the Company arranged four Board meetings, seven Audit Committee Meetings, twelve Executive Committee meetings, eight Risk Management Committee meetings, and one Nomination and Remuneration Committee meeting. Details of each director's attendance are shown below:

	Board of Directors 4 meetings	Audit Committee 7 meetings	Executive Committee 12 meetings	Nomination and Remu- neration Committee 1 meeting	Risk Manage- ment Committee 8 meetings
Dr.Pruchya Piumsomboon	4/4	-	-	-	-
Associate Professor Dr.Narong Yoothanom	4/4	7/7	-	1/1	-
Assistant Professor Kalyaporn Pan-ma-rerng	4/4	7/7	-	1/1	8/8
Mr. Noppadon Jason Chirasanti	4/4	5/7	-	-	-
Mr.Kanawath Aran	4/4	6/7	-	-	7/8
Mr. Sanguankiat Lewmanomont	4/4	-	-	0/1	-
Mr. Mark D Remijan	3/4	-	-	-	-
Mr. Anavin Jiratomsiri	3/4	-	12/12	1/1	6/8
Miss Koo Man Wai	4/4	-	12/12	-	-
Miss Sharuta Jiratomsiri	3/4	-	10/12	-	-
Mr. Suttichai Suraphat	-	-	12/12	-	-
Mr. Worraivit Auesapsakul	-	-	12/12	-	-
Mr. Sompop lamsuwan	-	-	4/4	-	-
Mr. Satit Cheybubpha	-	-	3/5	-	-

Note : Mr.Sompop Lamsuwan resigned on 30 April 2012 and Mr.Satit Cheybubpha appointed on 9 August 2012

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 2012

Name	Number of shares (shares)		No. of shares increased (decreased) during the year (shares)
	31 Dec. 2011	31 Dec. 2012	
Dr.Pruchya Piumsomboon	-	-	-
Associate Professor Dr. Narong Yoothanom	-	-	-
Assistant Professor Kalyaporn Pan-ma-rerng	-	-	-
Mr. Noppadon Jason Chirasanti	-	-	-
Mr. Kanawath Aran	-	-	-
Mr. Sanguankiat Lewmanomont	-	-	-
Mr. Mark D Remijan	-	-	-
Mr. Anavin Jiratomsiri	408,000,000	408,000,000	-
Miss Koo Man Wai	40,500,000	40,500,000	-
Miss Sharuta Jiratomsiri	40,500,000	40,500,000	-
Mr. Suttichai Suraphat	-	-	-
Mr. 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-rerng , Associate Professor Dr. Narong Yoothanom, Mr. Noppadon Jason Chirasanti and Mr. Kanawath Aran , who are Audit Committee members. All the Audit Committee members have qualifications as prescribed in the Charter of the Audit Committee and in accordance with the requirements and best practices of the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET).

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

In 2012, the Audit Committee held altogether 7 meetings, attendance of which by the members is shown here:

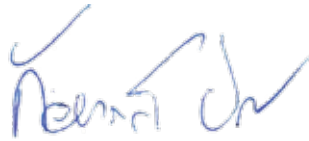
1.	Assistant Professor Kalyaporn Pan-ma-rerng	7
2.	Associate Professor Dr. Narong Yoothanom	7
3.	Mr. Noppadon Jason Chirasanti	5
4.	Mr. Kanawath Aran	6

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 2012 financial statements were prepared in accordance with the generally accepted accounting standards. Important information is sufficiently disclosed in the notes to financial statements.
2. Reviewed the performance of the Internal Audit Department, including approved the annual auditing plan, acknowledged internal audit reports, and reporting and monitoring thereof. The Audit Committee made observations and recommendations to improve efficiency and effectiveness of the internal auditing.
3. Reviewed adequacy of the Company's internal control system together with the Company's auditor, independent auditor, and the Internal Audit Department. The Audit Committee also assessed the internal control system to ensure efficiency and effectiveness of the Company operations and that the Company is able to achieve its goals. The Committee examined the internal audit report and the results of the internal control evaluation and risk management in accordance with the international standards: COSO - ERM (The Committee of Sponsoring Organizations of the Treadway Commission - Enterprise Risk Management). No significant errors have been found. The Audit Committee considers the Company's internal control system appropriate, adequate and effective.
4. Provided opinion to the Board of Directors for the appointment of external auditor for the year 2012. We proposed Mr. Pradit Rodroytook and/or Miss Nongram Laoha-areedilok and/or Ms. Chamaporn Rodroytook from AST Master, Co., Ltd. as the Company's external auditor for the year 2012 and considered remuneration for the auditing work before proposing to the Annual General Meeting of Shareholders.

5. Participated in the meeting to discuss and exchange opinions with the Company's executives and the auditor from time to time in order to acknowledge some observations and share opinions.
6. Examined the connected transactions or transactions with possible conflicts of interest to ensure compliance with the laws and regulations prescribed by the Capital Market Supervisory Board and other relevant agencies, as well as to disclose complete and accurate information.

The Audit Committee is of the opinion that the annual financial statements and disclosure of information of the Company in 2012 are adequate, correct and complete in accordance with the generally accepted accounting principles. The Company has suitable and efficient risk management and internal control systems, internal audit systems, as well as corporate governance procedures. The Audit Committee is able to perform its functions independently and transparently based on the good governance principle and best practices of the Audit Committee. We have also offered suggestions and recommendations useful for the Company's business operations.



Assistant Professor Kalyaporn Pan-ma-rerng
Chairman



Associate Professor Dr. arong Yoothanom
Member



Mr. Noppadon Jason Chirasanti
Member



Mr. Kanawath Aran
Member

Internal Control

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

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

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

Related Party Transactions

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

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

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

Person with possible conflicts	Nature of transactions made by Company	Value (million Baht)	Necessity and rationale
Vertex Logistics Services, Co.,Ltd.	Use of transport service	59.21	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	0.13	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.

- **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 2,962million Baht, divided into: 1.1 Overdrafts and short- term loans 1.2 Bank guarantee 1.3 Letter of credit	1,774.99 64.19 0.02 Millian US\$	For use in the Company's business operations; without guarantee fee charged
Mr. Anavin Jiratomsiri	Guarantee of vehicle lease contract	0.56	For use in the Company's business operations and be in line with the terms and conditions of vehicle lease contract

- **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	58.65	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

Analysis of Operational Performance

Income

In 2012, The Company recorded revenue is 4,363 million Baht, 23% or 1,338 million Baht lower than 2011, due to continually decreased selling price that affect gross profit. Moreover, fire damage in factory during phase 2 caused interruption of production, thus losing opportunity to product and sell.

Cost of Sales and Service

- **Cost of Sales**

In 2012, cost of goods sold of company is 4,117 million Baht with 95% ratio of cost of goods sold to sales, compared with 93% of 2011. Increasing cost of goods sold resulted from declining price of steel and increasing electricity cost in terms of variable rate which is major expense.

- **Selling and Administration Expense**

In 2012, selling expense, administration, and compensation of executives were 126 million Baht or 2.89% of total revenue, which is higher than 2011. This was due to fire damage that caused temporary production interruption for 21 million Baht, despite no export.

- **Financial cost**

Company needed to bear cost of loan interest from financial institutions and hire purchase for 92 million Baht in 2012, or 27 million Baht lower than previous year due to decreasing interest.

Net profit

In 2012, company earned net profit of 25 million Baht or 61% and 4.17% shareholders' equity . In 2011, company earned net profit of 194 million Baht or 3.26% and 24.12% shareholders' equity. Declining in net profit was due to the decreasing of steel price.

Analysis of Financial position

Assets

As of December 31st, 2012, assets of company were 3,792 million Baht, 594 million increase or 18% according to increasing of account receivables of 900 million Baht, or 24% of total assets, and 465 million Baht derived from product sales and credit provision to debtors, and high inventory due to delayed order. Other assets include savings as collateral for loan from commercial banks.

Liquidity

In 2012, company received net cash flow from operation activities for 408 million Baht and profit from operation. Liquidity was decreased due to delayed debt receivable and increasing inventory. Company had spent cash from net cash flow from activities to invest in fixed assets to cover fire damage for 163 million Baht. Net cash flow was decreased by 178 million Baht.

Source of Funds**Liabilities**

Total liability is 2,505 million Baht, or 605 million Baht increase, due to loan to support cash Flow in operation.

Shareholders' equity

Proportion of shareholders' equity is 1,274 million Baht, or 12 million Baht decrease, due to dividend payment for 0.10 Baht per share, total 80 million Baht. During the year, company increased land assessment price to 47 million Baht. Net profit from operation is 25 million Baht.

Capital structure

Ratio of liability to shareholders' equity as of December 31st, 2012 was 1.95 times, compared with 1.46 of 2011 in the same period. This is due to loan to increase cash flow in operation and delayed debt receivable.

Remuneration for the auditor in 2012**Audit Fee**

The Company paid auditing remuneration to AST Master, Co., Ltd. for which the Company's auditor has worked for the fiscal year 2012 in a amount of 700,000 Baht, and for auditing of its subsidiary company in an amount of 80,000 Baht. The Company and its subsidiary company 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 2012. 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 2012 expressed accurate financial position and performance in accordance with generally accepted accounting principles, laws and other relevant rules and regulations.



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



Anavin Jiratonsiri
Chief Executive Officer

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 subsidiary**, which comprise the consolidated statement of financial position as at 31 December 2012, 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 subsidiary** and of **Chow Steel Industries Public Company Limited** as at 31 December 2012, and their financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.

Highlighting information and events

I draw attention to Note 5 to the financial statements, regarding the changes made by the Company to accounting policy in 2012, whereby from presenting land at cost it is presented on a revaluation basis, and from accounting for finished goods on a specific basis they are recorded on an average cost basis. The Company has restated the financial statements presented herein for comparative purposes as if they had always presented finished goods on an average cost basis. My opinion is not qualified in respect of these matters.



NONGRAM LAOHAAREEDILOK
Certified Public Accountant
Registration No. 4334

Ast Master Co.,Ltd.
27 February 2013

Chow Steel Industries Public Company Limited and its subsidiary
STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2012

		In Baht					
		Consolidated financial statements			Separate financial statements		
Notes		31 December 2012	31 December 2011 (Restated)	1 January 2011 (Restated)	31 December 2012	31 December 2011 (Restated)	1 January 2011 (Restated)
LIABILITIES AND							
SHAREHOLDERS' EQUITY							
CURRENT LIABILITIES							
Short - term loans							
from financial institutions	16	1,774,992,742	1,160,089,875	1,440,367,703	1,774,992,742	1,160,089,875	1,440,367,703
Trade accounts payable		369,796,289	248,513,088	126,706,633	367,526,379	247,084,526	126,612,860
Other payables	17	68,343,822	72,571,364	146,575,622	70,967,982	76,318,479	148,374,923
Current portion							
of long - term loans	18	97,086,188	106,280,000	98,280,000	97,086,188	106,280,000	98,280,000
Long - term loan - classified							
as current liability	18	132,380,000	-	-	132,380,000	-	-
Current portion							
of liabilities under finance							
lease agreements	19	19,590,147	18,708,958	19,649,252	71,030	594,250	2,826,173
Short-term loan							
from related person	6.2	-	1,631,080	3,082,243	-	-	-
Other current liabilities		2,779,884	3,740,171	6,413,312	2,635,942	2,931,985	6,369,491
Total current liabilities		2,464,969,072	1,611,534,536	1,841,074,765	2,445,660,263	1,593,299,115	1,822,831,150
NON-CURRENT LIABILITIES							
Long-term loans	18	-	229,466,188	338,746,188	-	229,466,188	338,746,188
Liabilities under							
finance lease agreements	19	39,134,070	58,652,758	77,086,551	-	69,328	1,026,773
Employee benefit obligations	20	1,105,126	674,774	-	1,105,126	674,774	-
Total non -							
current liabilities		40,239,196	288,793,720	415,832,739	1,105,126	230,210,290	339,772,961
Total liabilities		2,505,208,268	1,900,328,256	2,256,907,504	2,446,765,389	1,823,509,405	2,162,604,111

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

Chow Steel Industries Public Company Limited and its subsidiary
STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2012

	In Baht					
	Consolidated financial statements			Separate financial statements		
	31 December 2012	31 December 2011 (Restated)	1 January 2011 (Restated)	31 December 2012	31 December 2011 (Restated)	1 January 2011 (Restated)
LIABILITIES AND 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						
31 December 2012 and 2011						
: 800,000,000 common shares						
1 January 2011						
: 600,000,000 common shares	800,000,000	800,000,000	600,000,000	800,000,000	800,000,000	600,000,000
Premium on share capital	380,845,258	380,845,258	-	380,845,258	380,845,258	-
Retained (deficit) earnings						
Appropriated for legal reserve	6,328,363	5,100,000	-	6,328,363	5,100,000	-
Unappropriated	43,827,260	99,586,779	(89,635,427)	41,904,531	98,560,828	(89,336,213)
Other components of equity	42,770,317	-	-	42,770,317	-	-
Total equity attributable						
to the parent company	1,273,771,198	1,285,532,037	510,364,573	1,271,848,469	1,284,506,086	510,663,787
Non-controlling interests	13,684,095	12,338,927	10,351,179	-	-	-
Total Shareholders' equity	1,287,455,293	1,297,870,964	520,715,752	1,271,848,469	1,284,506,086	510,663,787
TOTAL LIABILITIES						
AND SHAREHOLDERS' EQUITY	3,792,663,561	3,198,199,220	2,777,623,256	3,718,613,858	3,108,015,491	2,673,267,898

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

Chow Steel Industries Public Company Limited and its subsidiary**STATEMENT OF COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	In Baht			
		Consolidated financial statements		Separate financial statements	
		2012	2011 (Restated)	2012	2011 (Restated)
Revenues					
Revenues from sales and services		4,349,167,074	5,685,222,465	4,343,036,159	5,679,780,954
Other income		14,065,908	15,861,557	14,295,332	15,790,744
Total Revenues		<u>4,363,232,982</u>	<u>5,701,084,022</u>	<u>4,357,331,491</u>	<u>5,695,571,698</u>
Expenses					
Cost of sales and services		4,117,426,892	5,275,650,588	4,112,635,777	5,271,122,493
Selling expenses		56,542,441	61,750,921	66,608,048	74,669,300
Administrative expenses		48,537,726	46,767,637	45,570,191	43,789,866
Expenses from stop production	27	<u>21,025,126</u>	<u>-</u>	<u>12,025,126</u>	<u>-</u>
Total expenses		<u>4,243,532,185</u>	<u>5,384,169,146</u>	<u>4,245,839,142</u>	<u>5,389,581,659</u>
Profit before financial costs and income tax		119,700,797	316,914,876	111,492,349	305,990,039
Financial costs		<u>(92,078,531)</u>	<u>(119,362,279)</u>	<u>(86,925,083)</u>	<u>(112,992,998)</u>
Profit before income tax		27,622,266	197,552,597	24,567,266	192,997,041
Income tax		<u>(813,054)</u>	<u>(1,242,643)</u>	<u>-</u>	<u>-</u>
Profit for the year		<u>26,809,212</u>	<u>196,309,954</u>	<u>24,567,266</u>	<u>192,997,041</u>
Other comprehensive income for the year					
Loss on change in value of available-for-sale investment	12	(4,618,840)	-	(4,618,840)	-
Revaluation surplus of land	5.1,14	<u>47,389,157</u>	<u>-</u>	<u>47,389,157</u>	<u>-</u>
Total other comprehensive income for the year		<u>42,770,317</u>	<u>-</u>	<u>42,770,317</u>	<u>-</u>
Total comprehensive income for the year		<u>69,579,529</u>	<u>196,309,954</u>	<u>67,337,583</u>	<u>192,997,041</u>

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

Chow Steel Industries Public Company Limited and its subsidiary
STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	In Baht			
		Consolidated financial statements		Separate financial statements	
		2012	2011 (Restated)	2012	2011 (Restated)
Profit attributable to :					
Equity holders of the parent		25,464,044	194,322,206	24,567,266	192,997,041
Non-controlling interests		1,345,168	1,987,748	-	-
		<u>26,809,212</u>	<u>196,309,954</u>	<u>24,567,266</u>	<u>192,997,041</u>
Total comprehensive income attributable to:					
Equity holders of the parent		68,234,361	194,322,206	67,337,583	192,997,041
Non-controlling interests		1,345,168	1,987,748	-	-
		<u>69,579,529</u>	<u>196,309,954</u>	<u>67,337,583</u>	<u>192,997,041</u>
Basic earnings per share					
Profit attributable to equity holders of the parent		0.03	0.32	0.03	0.32
Weighted average number of common shares (shares)		<u>800,000,000</u>	<u>610,410,959</u>	<u>800,000,000</u>	<u>610,410,959</u>

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

Chow Steel Industries Public Company Limited And Its Subsidiary
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE YEAR ENDED 31 DECEMBER 2012

Notes	In Baht									
	Issued and paid-up share capital	Premium on share capital	Retained (Deficit) earnings		Other components of equity			Total		
			Appropriated for legal reserve	Unappropriated	Change in fair value of available-for-sale investment	Revaluation surplus on land	Total other components of shareholders' equity			
Balance as at 1 January 2011	600,000,000	-	-	(82,987,689)	-	-	-	517,012,311	10,351,179	527,363,490
Cumulative effect of changes in accounting policy for inventories 5.2	-	-	-	(6,647,738)	-	-	-	(6,647,738)	-	(6,647,738)
Balance as at 1 January 2011 - Restated	600,000,000	-	-	(89,635,427)	-	-	-	510,364,573	10,351,179	520,715,752
Total comprehensive income for the year - Restated	-	-	-	194,322,206	-	-	-	194,322,206	1,987,748	196,309,954
Increase in share capital	21 200,000,000	380,845,258	-	-	-	-	-	580,845,258	-	580,845,258
Appropriated for legal reserve	22 -	-	5,100,000	(5,100,000)	-	-	-	-	-	-
Balance as at 31 December 2011	800,000,000	380,845,258	5,100,000	99,586,779	-	-	-	1,285,532,037	12,338,927	1,297,870,964
Balance as at 1 January 2012	800,000,000	380,845,258	5,100,000	97,824,025	-	-	-	1,283,769,283	12,338,927	1,296,108,210
Cumulative effect of changes in accounting policy for inventories 5.2	-	-	-	1,762,754	-	-	-	1,762,754	-	1,762,754
Balance as at 1 January 2012 - Restated	800,000,000	380,845,258	5,100,000	99,586,779	-	-	-	1,285,532,037	12,338,927	1,297,870,964
Dividend paid 23	-	-	-	(79,995,200)	-	-	-	(79,995,200)	-	(79,995,200)
Profit for the year	-	-	-	25,464,044	-	-	-	25,464,044	1,345,168	26,809,212
Appropriated for legal reserve 22	-	-	1,228,363	(1,228,363)	-	-	-	-	-	-
Other comprehensive income 5.1, 12, 14	-	-	-	-	(4,618,840)	47,389,157	42,770,317	42,770,317	-	42,770,317
Balance as at 31 December 2012	800,000,000	380,845,258	6,328,363	43,827,260	(4,618,840)	47,389,157	42,770,317	1,273,771,198	13,684,095	1,287,455,293

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

Chow Steel Industries Public Company Limited And Its Subsidiary
SEPARATE STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	In Baht						
		Issued and paid-up share capital	Premium on share capital	Retained (Deficit) earnings		Other components of equity		
				Appropriated for legal reserve	Unappropriated	Change in fair value of available-for-sale investment	Revaluation surplus on land	Total other components of shareholders' equity
Balance as at 1 January 2011		600,000,000	-	-	(82,688,475)	-	-	517,311,525
Cumulative effect of changes in accounting policy for inventories	5.2	-	-	-	(6,647,738)	-	-	(6,647,738)
Balance as at 1 January 2011 – Restated		600,000,000	-	-	(89,336,213)	-	-	510,663,787
Total comprehensive income for the year – Restated		-	-	-	192,997,041	-	-	192,997,041
Increase in share capital	21	200,000,000	380,845,258	-	-	-	-	580,845,258
Appropriated for legal reserve	22	-	-	5,100,000	(5,100,000)	-	-	-
Balance as at 31 December 2011		800,000,000	380,845,258	5,100,000	98,560,828	-	-	1,284,506,086
Balance as at 1 January 2012		800,000,000	380,845,258	5,100,000	96,798,074	-	-	1,282,743,332
Cumulative effect of changes in accounting policy for inventories	5.2	-	-	-	1,762,754	-	-	1,762,754
Balance as at 1 January 2012 – Restated		800,000,000	380,845,258	5,100,000	98,560,828	-	-	1,284,506,086
Dividend paid	23	-	-	-	(79,995,200)	-	-	(79,995,200)
Profit for the year		-	-	-	24,567,266	-	-	24,567,266
Appropriated for legal reserve	22	-	-	1,228,363	(1,228,363)	-	-	-
Other comprehensive income	5.1,12,14	-	-	-	-	(4,618,840)	47,389,157	42,770,317
Balance as at 31 December 2012		800,000,000	380,845,258	6,328,363	41,904,531	(4,618,840)	47,389,157	1,271,848,469

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

Chow Steel Industries Public Company Limited and its subsidiary
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2012

	In Baht			
	Consolidated nancial statements		Separate nancial statements	
	2012	2011 (Restated)	2012	2011 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before income tax	27,622,266	197,552,597	24,567,266	192,997,041
Adjustment to reconcile net profit to net cash provided by (use in) operating activities				
Loss on diminution in value of inventories (reversal)	12,693,936	(10,421,820)	12,693,936	(10,421,820)
Depreciation	123,440,039	114,770,097	107,195,375	98,574,810
Amortization of computer software	1,768,314	1,768,314	1,768,314	1,768,314
Gain on disposal of equipment	(287,133)	(447,394)	(287,133)	(447,394)
Losses from write-off of assets	40,000	-	40,000	-
Provisions for employee benefit obligations	430,352	674,774	430,352	674,774
Interest expenses	92,078,531	119,362,279	86,925,083	112,992,998
Profit from operating activities before change in operating assets and liabilities	257,786,305	423,258,847	233,333,193	396,138,723
Decrease (increase) in operating assets				
Trade accounts receivables	(428,058,643)	(25,586,823)	(428,213,590)	(24,871,580)
Other receivables	(34,887,058)	(4,541,444)	(32,137,281)	(7,087,377)
Inventories	(245,683,672)	110,199,583	(245,683,672)	110,199,583
Account receivable-Revenue Department	11,880,860	17,019,467	11,880,860	17,019,467
Other current assets	496,809	(1,911,462)	(2,008,718)	409,367
Other non-current assets	938,046	284,751	159,580	(210,350)
Increase (decrease) in operating liabilities				
Trade accounts payable	112,345,418	121,806,455	111,504,070	120,471,666
Other payable	(5,662,034)	(71,735,972)	(6,784,989)	(69,788,157)
Other current liabilities	(1,773,341)	(3,915,784)	(296,043)	(3,437,506)

Chow Steel Industries Public Company Limited and its subsidiary
STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011 (Restated)	2012	2011 (Restated)
Cash receipt (paid) from operating activities	(332,617,310)	564,877,618	(358,246,590)	538,843,836
Interest paid	(90,644,039)	(119,964,156)	(85,490,591)	(113,594,876)
Income tax paid	(673,600)	(645,318)	(15,720)	(29,631)
Net cash provided by (use in) operating activities	<u>(423,934,949)</u>	<u>444,268,144</u>	<u>(443,752,901)</u>	<u>425,219,329</u>

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

Chow Steel Industries Public Company Limited and its subsidiary
STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011 (Restated)	2012	2011 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash paid for purchase				
of available-for-sale investment	(30,058,840)	-	(30,058,840)	-
Decrease (Increase)				
in deposits pledged as collateral	(78,537,656)	4,581,582	(78,537,656)	4,581,582
Cash paid for acquisition of plant and equipment				
(cash flows information 1)	(54,589,946)	(77,699,702)	(53,490,946)	(77,495,012)
Proceed from disposal of equipment				
(cash flows information 2)	553,271	1,744,860	553,271	1,744,860
Net cash used in investing activities	(162,633,171)	(71,373,260)	(161,534,171)	(71,168,570)
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase(decrease) in overdrafts and short-term				
loans from financial institutions	614,902,867	(280,277,828)	614,902,867	(280,277,828)
Cash paid for long-term loans	(106,280,000)	(101,280,000)	(106,280,000)	(101,280,000)
Cash paid for liabilities				
under finance lease agreements	(18,637,499)	(19,374,087)	(592,548)	(3,189,368)
Decrease in loan from related person	(1,631,080)	(1,451,163)	-	-
Cash received from increase in share capital	-	600,000,000	-	600,000,000
Cash paid for cost of share subscription	-	(19,154,742)	-	(19,154,742)
Dividend paid	(79,995,200)	-	(79,995,200)	-
Net cash provided by financing activities	408,359,088	178,462,180	428,035,119	196,098,062
Net Increase (Decrease) in cash				
and cash equivalents	(178,209,032)	551,357,064	(177,251,953)	550,148,821
Cash and cash equivalents, beginning of year	613,637,601	62,280,537	610,421,640	60,272,819
Cash and cash equivalents, end of year	435,428,569	613,637,601	433,169,687	610,421,640

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

Chow Steel Industries Public Company Limited and its subsidiary
STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

SUPPLEMENT DISCLOSURE OF CASH FLOWS INFORMATION	In Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011 (Restated)	2012	2011 (Restated)
1. <u>Cash paid for acquisition of plant and equipment</u>				
Acquisition of plant and equipment during the year	(63,527,729)	(141,669,010)	(62,428,729)	(141,464,320)
<u>Adjust</u> Decrease in advance payment for machinery	-	65,635,717	-	65,635,717
Increase (Decrease) in accounts payable from acquisition of assets	8,937,783	(1,666,409)	8,937,783	(1,666,409)
Cash paid for acquisition of plant and equipment	(54,589,946)	(77,699,702)	(53,490,946)	(77,495,012)
2. <u>Proceeds from disposal of equipment</u>				
Disposal of equipment during the year	36,954,616	1,297,466	36,954,616	1,297,466
Gain on disposal of equipment	287,133	447,394	287,133	447,394
Insurance claim receivable	(36,688,478)	-	(36,688,478)	-
Proceeds from disposal of equipment	553,271	1,744,860	553,271	1,744,860

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

NOTES TO THE FINANCIAL STATEMENTS

Chow Steel Industries Public Company Limited and its subsidiary

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

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,18thFl, Unit3, 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 21December 2011 and the Company's stocks were traded on the MAI (Market of Alternative Investment).

2. BASIS FOR CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS PREPARATION

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

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

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

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

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

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

Chow Steel Industries Public Company Limited and its subsidiary

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

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

The Federation of Accounting Professions issued the following new/revised accounting standards that are effective for fiscal years 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 :

SIC 10	Government Assistance - No Specific Relation to Operating Activities
SIC 21	Income Taxes - Recovery of Revalued Non-Depreciable Assets
SIC 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders

The Company's management believes that these accounting standards will not have any significant impact on the financial statements for the year when they are initially applied, except for the following accounting standards.

TAS 12 Income Taxes

This accounting standard requires an entity to identify temporary differences, which are differences between the carrying amount of an asset or liability in the accounting records and its tax base, and to recognize deferred tax assets and liabilities under the stipulated guidelines. The effect of the adoption in 2013. The management of the Company is evaluating the impact to the financial statements in 2012 is not materiality.

In addition, the Federation of Accounting Professions has issued Notification No. 30/2555-34/2555, published in the Royal Gazette on 17 January 2013, mandating the use of accounting treatment guidance and accounting standard interpretations as follows.

	Effective date
Accounting Treatment Guidance for Transfers of Financial Assets	1 January 2013

Accounting Standard Interpretation :

SIC 29	Service Concession Arrangements: Disclosures	1 January 2014
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Financial Reporting Standard Interpretations :

TFRIC 4	Determining whether an Arrangement contains a Lease	1 January 2014
TFRIC 12	Service Concession Arrangements	1 January 2014
TFRIC 13	Customer Loyalty Programmes	1 January 2014

The management of the Company is evaluating the first-year impact to the financial statements of the accounting treatment guidance and accounting standard interpretations and has yet to reach a conclusion.

Chow Steel Industries Public Company Limited and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

4. SIGNIFICANT ACCOUNTING POLICIES**4.1 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.

4.2 Trade accounts receivable

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

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

4.3 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.

4.4 Investment in subsidiary

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

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

4.5 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 subsidiary

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

4.6 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.

4.7 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 subsidiary

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

4.8 Impairment of assets

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

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

4.9 Accounting for leases - where company is the lessee

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

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

4.10 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 treat 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.

Chow Steel Industries Public Company Limited and its subsidiary

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

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

4.11 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.

4.12 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.

4.13 Foreign currency translation

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

4.14 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.

4.15 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.

4.16 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.

Chow Steel Industries Public Company Limited and its subsidiary NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

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 record 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.

4.17 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.

5. CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING POLICIES

- 5.1 In 2012, the Company have changed accounting policy on land, from presenting it at cost basis to presenting it under a revaluation method to reflect the market value of such assets.

The amounts of adjustments affecting the financial statements as at 31 December 2012 resulted in property, plant and equipment increase of Baht 47.4 million and other components of shareholders' equity increase of Baht 47.4 million.

Chow Steel Industries Public Company Limited and its subsidiary

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

5.2 In 2012, the company has changed accounting policy on inventories for finished goods, from specific to average cost method which is more suitable for the businesses of company. The change in the accounting policy on inventories for finished goods has been applied retrospectively as though the financial statement had originally been prepared using the average cost. The cumulative effect of the changes in the accounting policy has been separately presented in the statements of changes in the shareholders' equity.

The amounts of adjustments affecting the statements of financial position as at 31 December 2011, and 1 January 2011 and the statement of comprehensive income for the year ended 31 December 2011 and are summarised below.

<u>Consolidated and Separated Financial statements</u>	<u>In Baht</u>	
	<u>31 December 2011</u>	<u>1 January 2011</u>
Statements of financial position		
Increase (decrease) in inventories	1,762,754	(6,647,738)
Increase (decrease) in unappropriated retained earnings	1,762,754	(6,647,738)
 Statements of comprehensive income		
For the year end 31 December 2011		<u>In Baht</u>
Decrease in cost of sales		(8,410,492)
Increase in earnings per share (Baht)		0.01

6. TRANSACTIONS WITH RELATED PERSON AND COMPANIES

6.1 Relationship and pricing policy

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

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

Chow Steel Industries Public Company Limited and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

	Pricing policies
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 expenses	At normal business prices, as same as other entities.
Administrative expenses	At price which had been agreed upon.
Guarantee	No fee charged.

6.2 Balances of transactions with related parties

Balances of transactions among the Company with subsidiary, related person and companies as at 31 December 2012 and 2011 are as follows:

	In Baht			
	Consolidated Financial statements		Separate Financial statements	
	2012	2011	2012	2011
<u>Other receivable</u>				
Vertex Logistics Service Co.,Ltd.	-	-	23,560	39,630
<u>Short-term loans</u>				
Mr. Tanachart Poudpongpaiboon	-	1,631,080	-	-
<u>Other payable</u>				
Vertex Logistics Service Co.,Ltd.	-	-	2,796,622	3,793,185
<u>Accrued expenses</u>				
Lewmanomont International Law Office	21,000	21,000	21,000	21,000

The changes of short - term loans from related person for the year 31 December 2012 are as follows :

	In Baht		
	1 January 2012	Transactions during the year	
		Increase	Decrease
			31 December 2012
<u>Consolidated nancial statements</u>			
Mr. Tanachart Poudpongpaiboon	1,631,080	-	(1,631,080)

Chow Steel Industries Public Company Limited and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

6.3 Revenues and expenses transactions with related company

Revenues and expenses transactions with related companies for the years ended 31 December 2012 and 2011 are as follows

	In Baht			
	Consolidated Financial statements		Separate Financial statements	
	2012	2011	2012	2011
<u>Rental incomes</u>				
Vertex Logistics Service Co.,Ltd.	-	-	264,244	71,028
<u>Disposal of fixed assets</u>				
Vertex Logistics Service Co.,Ltd.	-	-	-	29,907
<u>Transportation expenses</u>				
Vertex Logistics Service Co.,Ltd.	-	-	59,209,452	58,719,904
<u>Legal fee</u>				
Lewmanomont International Law Office	126,000	693,500	126,000	693,500
<u>Directors and management's benefits</u>	9,564,993	7,762,185	8,844,993	7,042,185

7. CASH AND CASH EQUIVALENTS

	In Baht			
	Consolidated Financial statements		Separate Financial statements	
	2012	2011	2012	2011
Cash	234,242	251,427	232,052	247,858
Deposits at financial institutions				
• Saving Accounts	407,036,683	1,946,408	407,036,683	1,946,408
• Current Accounts	28,145,502	611,437,669	25,888,810	608,225,277
• Fixed Accounts	12,142	2,097	12,142	2,097
Total	435,428,569	613,637,601	433,169,687	610,421,640

Chow Steel Industries Public Company Limited and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

8. TRADE ACCOUNTS RECEIVABLES

Trade accounts receivable as at 31 December 2012 and 2011 are as follows :

	In Baht			
	Consolidated Financial statements		Separate Financial statements	
	2012	2011	2012	2011
In due	418,565,775	354,353,211	418,123,479	354,036,849
Over due				
Less than 3 Months	355,851,057	81,103,957	355,761,057	80,705,076
3 - 6 Months	125,759,457	-	125,759,457	-
7 - 12 Months	28,000	-	-	-
Total	900,204,289	435,457,168	899,643,993	434,741,925

9. OTHER RECEIVABLES

	In Baht			
	Consolidated Financial statements		Separate Financial statements	
	2012	2011	2012	2011
Other receivables - related company (notes 6.2)	-	-	23,560	39,630
Other receivables - other companies	2,547,784	4,288,587	2,547,784	4,288,587
Insurance claim receivable	36,688,478	-	36,688,478	-
Prepaid expenses	19,932,211	20,299,075	17,586,971	20,299,075
Advances payment	452,977	146,730	64,510	146,730
Total	59,621,450	24,734,392	56,911,303	24,774,022

Insurance claim receivable

On 28 September 2012, there was a fire incident in substation of the Company's. 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 comprehensive income statement for the year ended 31 December 2012.

Chow Steel Industries Public Company Limited and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

10. INVENTORIES

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

	In Baht					
	Cost		Provision for diminution of Inventories		Inventories - net	
	2012	2011 (Restated)	2012	2011 (Restated)	2012	2011 (Restated)
Finished goods	421,964,834	209,608,270	(15,217,879)	(2,523,943)	406,746,955	207,084,327
Raw Materials	281,313,277	262,168,289	-	-	281,313,277	262,168,289
Supplementary Material	44,808,247	48,608,937	-	-	44,808,247	48,608,937
Supplies	40,150,084	22,167,274	-	-	40,150,084	22,167,274
Total	788,236,442	542,552,770	(15,217,879)	(2,523,943)	773,018,563	540,028,827

During the current period, the Company has changed its accounting policy on inventories for finished goods, from specific to average cost as mentioned in Note 5.

11. DEPOSITS PLEDGED AS COLLATERAL

As at 31 December 2012 and 2011, fixed deposits and saving accounts totalling Baht 104.4 million and Baht 25.8 million, respectively, were pledged as collateral for letters of guarantee and loans facilities from financial institutions (notes 16 and 18).

12. AVAILABLE - FOR - SALE INVESTMENT

The Company has investment in marketable securities which is available - for - sale securities. Cost and fair value of this investment as at 31 December 2012 are as follows.

	In Baht
Cost	30,058,840
Less Changes in fair value of investment	(4,618,840)
Fair value	25,440,000

13. INVESTMENT IN SUBSIDIARY

Separate financial statements

Company's name	Type of Business	Paid-up Share capital (Million Baht)	Percentage of holding (%)	In Baht	
				At cost	
				2012	2011
Vertex Logistics Service.Co.,Ltd.	Logistics	18	40.0	7,200,000	7,200,000

As at 1 January 2011

Chow steel Industries Public Company Limited

Chow Steel Industries Public Company Limited And Its Subsidiary
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

DR THE YEAR ENDED 31 DECEMBER 2012

	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 2012							
Net book value, beginning of year	51,162,777	508,119,687	837,213,506	3,504,165	107,438,285	4,495,187	1,511,933,607
Add : Acquisition	-	40,626,756	8,515,140	745,241	10,008,939	3,631,653	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	1,237,637	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	1,237,637	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 : Provision 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	1,237,637	1,462,415,838

As at 31 December 2012 and 2011, property, plant and equipment amounting to Baht 1,200.6 million and Baht 1,308.8 million, respectively is mortgaged as collateral for loans from financial institutions (notes 16 and 18).

As at 31 December 2012 and 2011, assets under finance lease agreements included above, comprise of vehicle and fixtures and office equipment with net book value of Baht 74.5 million and Baht 93.6 million, respectively.

As at 31 December 2012 and 2011 costs of machinery and equipment which have been fully depreciated but still in use are amounting to Baht 25.5 million and Baht 17.8 million, respectively.

Chow Steel Industries Public Company Limited And Its Subsidiary
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

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 2011						
Cost	50,984,893	606,496,040	976,681,754	14,623,640	31,247,488	1,681,676,766
Less : Accumulated depreciation	-	(85,390,722)	(182,445,962)	(10,804,828)	(18,400,515)	(297,042,028)
Less : Provision for impairment	-	-	(5,182,777)	-	-	(5,182,777)
Net book value	50,984,893	521,105,318	789,053,015	3,818,811	12,846,973	1,379,451,961
Transactions during the year ended 31 December 2011						
Net book value, beginning of year	50,984,893	521,105,318	789,053,015	3,818,811	12,846,973	1,379,451,961
Add : Acquisition	-	-	8,617,259	1,568,237	8,424,276	122,854,548
Transfer in (out)	-	17,791,946	102,210,366	-	-	(120,002,312)
Less : Disposals	-	-	-	(4,255)	(1,293,211)	-
Less : Depreciation	-	(30,777,577)	(62,667,134)	(1,954,408)	(3,175,691)	(98,574,810)
Net book value, end of year	50,984,893	508,119,687	837,213,506	3,428,385	16,802,347	1,421,044,005
As at 31 December 2011						
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 : Provision 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

Chow Steel Industries Public Company Limited And Its Subsidiary
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

OR THE YEAR ENDED 31 DECEMBER 2012

	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 2011							
Net book value, beginning of year	50,984,893	508,119,687	837,213,506	3,428,385	16,802,347	4,495,187	1,421,044,005
Add : Acquisition	-	40,626,756	8,515,140	745,241	8,909,939	3,631,653	62,428,729
Revaluation surplus on land	47,393,107	-	-	-	-	-	47,389,157
Transfer in (out)	-	6,889,203	-	-	-	(6,849,203)	-
Less : Disposals	-	(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	98,378,000	489,849,668	772,858,360	2,575,734	21,776,451	1,237,637	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	1,237,637	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 : Provision 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	1,237,637	1,386,671,900

As at 31 December 2012 and 2011, property, plant and equipment amounting to Baht 1,166.8 million and Baht 1,308.8 million, respectively is mortgaged as collateral for loans from financial institutions (notes 16 and 18).

As at 31 December 2012 and 2011, assets under finance lease agreements included above, comprise of vehicle and fixtures and office equipment with net book value of Baht 0.1 million and Baht 3.1 million, respectively.

As at 31 December 2012 and 2011, costs of machinery and equipment which have been fully depreciated but still in use are amounting to Baht 25.5 million and Baht 17.8 million, respectively.

Chow Steel Industries Public Company Limited and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

15. COMPUTER SOFTWARE

The consolidated and the separate Financial statements

	In Baht	
	2012	2011
As at 1 January		
Cost	8,840,845	8,840,84
<u>Less</u> Accumulated amortization	(5,459,246)	(3,690,932)
Net book amount	3,381,599	5,149,913
Transactions during the year ended 31 December		
Net book value, beginning of year	3,381,599	5,149,913
<u>Less</u> Amortization for the year	(1,768,314)	(1,768,314)
Net book value, end of year	1,613,285	3,381,599
As at 31 December		
Cost	8,840,845	8,840,845
<u>Less</u> Accumulated amortization	(7,227,560)	(5,459,246)
Net book amount	1,613,285	3,381,599

16. SHORT-TERM LOANS FROM FINANCIAL INSTITUTIONS

	Interest rate of (% per annum)		In Baht	
			Consolidated and Separate Financial statements	
	2012	2011	2012	2011
Overdrafts	MOR	MOR	-	-
Short - term loans	MMR,Prime+1%	MMR,Prime+1%	1,774,992,742	1,160,089,875
			1,774,992,742	1,160,089,875

As at 31 December 2012 and 2011, the Company has overdraft facility from 2 financial institutions amounting to Baht 50 million and Baht 31 million, respectively. The Company also has short - term loan facilities from 3 financial institutions amounting to Baht 2,200 million and Baht 1,470 million, respectively.

The overdrafts facilities and the short - term loans facilities from financial institutions are secured over Inventories (note 10), deposit at financial institution (note 11), property, plant and equipment (note 14) and some of the director's guarantee

Chow Steel Industries Public Company Limited and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

17. OTHER PAYABLES

	In Baht			
	Consolidated Financial statements		Separate Financial statements	
	2012	2011	2012	2011
Accrued expenses	57,711,014	62,907,136	57,538,552	62,861,066
Other payables - related parties (note 6.2)	-	-	2,796,622	3,793,185
Advance received from sales of goods	741,965	8,711,168	741,965	8,711,168
Payable from acquisition of assets	9,890,843	953,060	9,890,843	953,060
Total	68,343,822	72,571,364	70,967,982	76,318,479

18. LONG-TERM LOANS FROM FINANCIAL INSTITUTIONS

	In Baht	
	Consolidated and Separate Financial statements	
	2012	2011
Long - term loans from financial institutions	229,466,188	335,746,188
Less : Current portion	(97,086,188)	(106,280,000)
Long - term loan - classified as current liability	(132,380,000)	-
Net	-	229,466,188

Long-term loan from financial institutions comprised of :

The first line Balance of Baht 24.8 million (2011 : amounting to Baht 56.8 million), which is monthly repayable within 1-48 equal installment dues of Baht 2.0 million each, within 49-70 equal Baht 2.5 million each and within 71 not less than Baht 3.0 million and the rest amount for the final payment. The first payment was paid in January 2006 and must be completed within December 2013. This loan bears interest at the rate of MLR-0.5 per annum.

The second line Balance of Baht 6.3 million (2011: amounting to Baht 14.5 million), which is monthly repayable within 1-54 equal installment dues of Baht 0.7 million each and within 55 not less than Baht 0.7 million each and the rest amount for the final payment. The first payment was paid in March 2008 and must be completed within October 2013. This loan bears interest at the rate of MLR-0.5 per annum.

The third line Balance of Baht 198.4 million (2011: amounting to Baht 264.4 million), which is monthly repayable within 1-64 equal installment dues of Baht 5.5 million each, within 65-71 not less than Baht 6.0 million each and the rest amount for the final payment. The first payment was paid in January 2009 and must be completed within December 2015. This loan bears interest at the rate of MLR-0.5 per annum.

Chow Steel Industries Public Company Limited and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

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

The movements of long-term loans from financial institutions for the year ended 31 December 2012 are as follows :

	In Baht
Transactions during the year ended 31 December 2012	
Balance, beginning of year	335,746,188
Repayment during the year	<u>(106,280,000)</u>
Balance, the end of year	<u>229,466,188</u>

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

	In Baht	
	Consolidated and Separate Financial statements	
	2012	2011
Current portion due within one year	97,086,188	106,280,000
Long – term loan – classified as current liability	132,380,000	-
Between 1 to 5 years	<u>-</u>	<u>229,466,188</u>
Total long – term loans from financial institutions	<u>229,466,188</u>	<u>335,746,188</u>

Such credit facilities are guaranteed by deposit at financial institution (note 11) and property, plant and equipment (note 14).

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 agreement . The Company requested the relaxation for not complying with such covenants from the bank and it received the relaxation in February 2013. The relaxation was received after the end of the reporting period, to comply with generally accepted accounting principles, the Company therefore reclassified the loan as at 31 December 2012 as current liabilities.

Chow Steel Industries Public Company Limited and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

19. LIABILITIES UNDER FINANCE LEASE AGREEMENTS

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Liabilities under finance lease agreements	65,158,820	88,990,786	74,420	707,986
Less : Deferred interest charges	(6,434,603)	(11,629,070)	(3,390)	(44,408)
	58,724,217	77,361,716	71,030	663,578
Less : Current portion	(19,590,147)	(18,708,958)	(71,030)	(594,250)
Net	39,134,070	58,652,758	-	69,328

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.

20. EMPLOYEE BENEFIT OBLIGATIONS

The Company adopted TAS 19 Employee Benefits with effect from 1 January 2011.

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

Movement in the present value of the defined benefit obligations.

	In Baht	
	2012	2554
For the year ended 31 December		
Recognized the obligation in the transition period	-	350,378
Defined benefit obligations at 1 January	674,774	-
Current service costs and interest	430,352	324,396
Dened benet obligations at 31 December	1,105,126	674,774

Chow Steel Industries Public Company Limited and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

Expense recognised in profit or loss

	In Baht	
	2012	2011
For the year ended 31 December		
Recognized the obligation in the transition period	-	350,378
Current service costs	393,085	301,640
Interest on obligation	37,267	22,756
Total	430,352	674,774

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

	In Baht	
	2012	2011
For the year ended 31 December		
Cost of sales	224,378	354,608
Administrative expenses	205,974	321,166
Total	430,352	674,774

Principal actuarial assumptions at the reporting date

Consolidated and Separate Financial statements

For the year ended 31 December 2012 and 2011

Discount rate	3.49% per annum
Salary increase rate	5%
Employee turnover rate	Scale related to Age ranging from 0 - 29.4%
Mortality rate	According to Thailand TMO 1997 male and female tables

Chow Steel Industries Public Company Limited and its subsidiary

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

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

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

As at 31 December 2012 and 2011, the Company has authorized and paid-up share capital of amounting to Baht 800 million (divided into 800 million of common shares with a par value of Baht 1 per share).

22. 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 2012, the Company has appropriated for legal reserve of Baht 1.2 million.

23. 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.

24. EXPENSES BY NATURE

Significant expense by nature for the years ended 31 December 2012 and 2011. The details are as follows :

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Changes in finished goods	(212,356,563)	183,213,763	(212,356,563)	183,213,763
Raw materials and supplies used	3,560,007,650	4,508,975,474	3,560,007,650	4,508,975,474
Utilities	465,698,836	436,304,498	465,698,836	436,304,498
Transportation expenses	62,692,228	72,806,765	62,692,228	72,806,765
Staff costs	118,069,808	114,821,487	110,756,062	107,189,515
Depreciation and amortization	125,208,353	116,538,411	108,963,689	100,343,124

Chow Steel Industries Public Company Limited and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

25. SEGMENT INFORMATION

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

a : Segment relating to distribution of steel billet.

b : Segment relating to logistic service.

Revenues and expenses classified by segment for the year ended 31 December 2012 are as follows :

	In Thousand Baht				
	a	b	Total	Eliminated inter - company	Total
Sales and service income	4,343,036	65,340	4,408,376	(59,209)	4,349,167
Cost of sales and services	(4,112,636)	(53,935)	(4,166,571)	49,144	(4,117,427)
Gross profit	230,400	11,405	241,805	(10,065)	231,740
Other income	14,295	35	14,330	(264)	14,066
Profit before expenses	244,695	11,440	256,135	(10,329)	245,806
Selling expenses	(66,608)	-	(66,608)	10,065	(56,543)
Administrative expenses	(45,570)	(3,232)	(48,802)	264	(48,538)
Expenses from stop production	(21,025)	-	(21,025)	-	(21,025)
Total expenses	(133,203)	(3,232)	(136,435)	10,329	(126,106)
Profit before nance costs and income tax	111,492	8,208	119,700	-	119,700
Finance costs	(86,925)	(5,153)	(92,078)	-	(92,078)
Profit before income tax	24,567	3,055	27,622	-	27,622
Income tax	-	(813)	(813)	-	(813)
Profit for year	24,567	2,242	26,809	-	26,809

Chow Steel Industries Public Company Limited and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

Revenues and expenses classified by segment for the year 31 December 2011 are as follows :

	In Thousand Baht				
	a	b	Total	Eliminated inter - company	Total
Sales and service income	5,679,781	64,161	5,743,942	(58,720)	5,685,222
Cost of sales and services	(5,271,123)	(50,330)	(5,321,453)	45,802	(5,275,651)
Gross profit	408,658	13,831	422,489	(12,918)	409,571
Other income	15,791	220	16,011	(149)	15,862
Profit before expenses	424,449	14,051	438,500	(13,067)	425,433
Selling expenses	(74,669)	-	(74,669)	12,918	(61,751)
Administrative expenses	(43,790)	(3,127)	(46,917)	149	(46,768)
Total expenses	(118,459)	(3,127)	(121,586)	13,067	(108,519)
Profit before nance costs and income tax	305,990	10,924	316,914	-	316,914
Finance costs	(112,993)	(6,369)	(119,362)	-	(119,362)
Profit before income tax	192,997	4,555	197,552	-	197,552
Income tax	-	(1,242)	(1,242)	-	(1,242)
Net profit for year	192,997	3,313	196,310	-	196,310

Chow Steel Industries Public Company Limited and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

Revenues and expenses in the separate financial statement are classified by domestic sales and exports sales for the years ended 31 December 2012 and 2011 are as follows :

	In Thousand Baht					
	2012			2011		
	Domestic	Export	Total	Domestic	Export	Total
Sales	4,343,036	-	4,343,036	5,310,183	369,598	5,679,781
Cost of sales	(4,112,636)	-	(4,112,636)	(4,897,638)	(344,963)	(5,271,123)
Gross Profit	230,400	-	230,400	412,545	24,635	408,658
Other income	14,295	-	14,295	15,791	-	15,791
Profit before expense	244,695	-	244,695	428,336	24,635	424,449
Selling expenses	(66,608)	-	(66,608)	(64,295)	(10,374)	(74,669)
Profit after expense	178,087	-	178,087	364,041	14,261	349,780
Administrative expenses			(45,570)			(43,790)
Expenses from stop production			(21,025)			-
Profit before nance costs			111,492			305,990
Finance costs			(86,925)			(112,993)
Net profit for year			24,567			192,997

Chow Steel Industries Public Company Limited and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

26. 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 2012 and 2011 amounting to Baht 4,343.0 million and Baht 5,679.8 million, respectively, are the results of the operation under privileges granted.

27. EXPENSES FROM STOP PRODUCTION

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

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

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

Chow Steel Industries Public Company Limited and its subsidiary NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

28. FINANCIAL INSTRUMENTS

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

28.1 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.

28.2 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.

28.3 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.

28.4 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.

28.5 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.

29. COMMITMENT AND CONTINGENT LIABILITY

As at 31 December 2012,

- The Company has letters of guarantee issued by bank for the payment of electricity fee amounting to Baht 64.2 million.
- The Company had unused letter of credit of approximately Baht 0.6 million.

30. 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 2012, debt to equity ratio in the financial statements is 0.90:1 (the separate financial statements: 0.89:1)

Chow Steel Industries Public Company Limited and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

31. RECLASSIFICATION

Certain accounts in 2011 financial statements have been reclassified complying with the presentation in the 2012 financial statements as follows:

	Consolidated financial statements		Separate financial statements	
	Before reclassification	After reclassification	Before reclassification	After reclassification
STATEMENT OF FINANCIAL POSITION				
Trade accounts and other receivables	-	460,191,560	-	459,515,947
Trade accounts receivable	435,457,168	-	434,741,925	-
Other current assets	22,775,293	5,740,202	20,332,957	3,258,235
Advance payment for machinery acquisition	7,699,300	-	7,699,300	-
Other payables	-	72,571,364	-	76,318,479
Other payable - related company	-	-	3,793,185	-
Advance received from sales of goods	8,711,168	-	8,711,168	-
Accrued expenses	52,331,293	-	52,285,223	-
Account payable from acquisition of assets	953,060	-	953,060	-
Other current liabilities	14,316,014	3,740,171	13,507,828	2,931,985

Chow Steel Industries Public Company Limited and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

Certain accounts in 2010 financial statements have been reclassified complying with the presentation in the 2012 financial statements as follows:

	Consolidated financial statements		Separate financial statements	
	Before reclassification	After reclassification	Before reclassification	After reclassification
STATEMENT OF FINANCIAL POSITION				
Trade accounts and other receivables	-	430,063,293	-	427,556,990
Trade accounts receivable	409,870,345	-	409,870,345	-
Other current assets	24,021,688	3,828,740	21,354,247	3,667,602
Other payables	-	146,575,622	-	148,374,923
Other payable - related company	1,939,233	-	-	-
Advance received from sales of goods	55,549,813	-	55,549,813	-
Accrued expenses	77,322,655	-	77,292,655	-
Account payable from acquisition of assets	2,619,469	-	2,619,469	-
Other current liabilities	17,496,997	6,413,312	17,343,244	6,369,491

32. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorized for issue by the Board of Directors on 27 February 2013.



บริษัท เชาว์ สตีล อินดัสทรี จำกัด (มหาชน)

Chow Steel Industries Public Company Limited

สำนักงานใหญ่ 209/1 เคทาวเวอร์ ชั้น 18, ยูนิต 3 ซอยสุขุมวิท 21(อโศก), คลองเตยเหนือ, เขตวัฒนา กรุงเทพฯ 10110

Head office 209/1 K. Tower, 18th Floor, Unit 3, Sukhumvit 21 (Asoke), Klongtoey Nua, Wattana, Bangkok 10110 Thailand

Tel: 02-260-3101-8, Fax: 02-260-3100 e-mail: info@chowsteel.com website: www.chowsteel.com