



**CITY STEEL** PCL.  
*Metal* **TECHNOLOGY**™

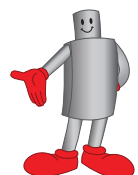
# ANNUAL REPORT

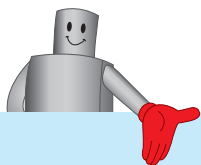
Our services start before we sell.  
Customer satisfaction is our first priority.

# 2012

We built our reputation on quality.  
We built our future on your satisfaction.

บริษัท ชีดี สตีล จำกัด (มหาชน)  
**CITY STEEL** PUBLIC COMPANY LIMITED

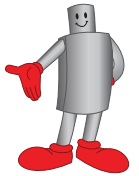




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## MESSAGE FROM THE CHAIRMAN

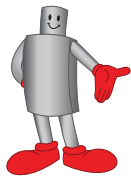
In the late 2011, Thailand had experienced the worst flood disaster in the history, which severely affected the overall economy and caused stagnation in national economy. Although, City Steel Group was not adversely affected by this flooding incident, the Group still indirectly affected. Many of the Group's customers and suppliers were negatively affected by the disaster and had to temporarily stop their operations, causing in a delay in placing orders from the customers, whereas the suppliers could not manage to deliver materials on time.

However, in a short period after the flood disaster, the national economy started to recover. The Government sector had quickly restored the affected areas as well as issued several policies to stimulate the economy, which resulted in an economic expansion and an increase in investment. The private sector also started to restore their production facilities or even invested in the new facilities, caused an increase in demands for metal structures and storage systems and material handling equipment. As a result, the demands for the Group's products increased and consequently the Group can achieved a better operating performance compared to previous years.

Even though, after the flooding incident, the national economy had improved, the global economy is still in the recession state. The sovereign debt crisis in Europe that has not been resolved and started to expand its effects to other countries may cause negative impacts to the national economy in the future. Therefore, the Group will still emphasize in prudently managing its operations and determine to deliberately and efficiently operate its businesses in order to overcome any obstacles or challenges as well as grab any suitable opportunities that will happen in the future, which will pave the way to achieve a sustainable growth.

Finally, we would like to thank all of our staffs for the commitment and dedication, and also would like to express our appreciation to our shareholders, customers, business alliances and partners, and all relevant parties for your well support over the years. We ensure that we will commit to operate our businesses with caution and integrity as well as uphold to Good Corporate Governance practices which is the important foundation for a sustainable growth, and will lead to the optimal benefits for all stakeholders.

Mr. Wibool Phongratanadechachai  
Chairman of the Board of Director



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## REPORT OF THE AUDIT COMMITTEE

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

During the year 2011/2012, the Audit Committee had performed their duties independently and held 4 meetings with Internal Audit Manager in order to consider several relevant issues as follows;

1) Reviewed the Company's financial statements and consolidated financial statements on quarterly basis and financial statements for the year 2011/2012 in terms of correctness, accuracy, and adequate disclosure. According to their review, the financial statements and the notes to financial statement were presented fairly and adequately and conform to generally accepted accounting principles

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

3) Proposed a nomination of Dharmniti Auditing Company Limited to be the Company's auditor for the year 2012/2013 and reviewed its relevant remuneration.

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

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

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

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

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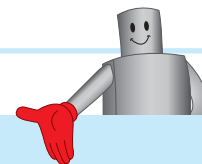


In conclusion, the Audit Committee considered that the financial statements were fairly presented, adequately disclosed, and complied with generally accepted accounting principles. The Company performed its operation in accordance with Corporate Governance Policy and employed suitable internal control systems, which considered benefits of all stakeholders and the social as a whole. Additionally, the Audit Committee had performed their duty independently and truthfully as well as had emphasized on the Company's internal control systems to ensure that the systems were efficient and be able to minimize the risks on the Company. Also, the Audit Committee had given the management team valuable advices and suggestion regarding risk management and business operation.



Mr.Manop Chiwatanasoon  
Chairman of the Audit Committee

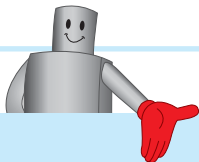
# GENERAL INFORMATION



**CITY STEEL** PCL.  
Metal TECHNOLOGY™

Company Name	: City Steel Public Company Limited ("The Company")
Symbol	: CITY
Registered Capital	: Baht 300,000,000, Ordinary Capital 300,000,000 Shares, Par Value Baht 1 each
Paid Up Capital	: Baht 300,000,000 (As at 31 July 2012)
Type of Business	: Holding Company, investing in 3 subsidiaries which are Siam ISO Pro Company Limited, Mark Worldwide Company Limited, and City Steel Products Company Limited.
Head Office' s address	: 88/3 Moo 4, Bypass Road, Nongmadaeng, Muang, Chonburi, 20000
Branch 1' s address	: 120 Moo 3, Sukhumvit Road, Bansuan, Muang, Chonburi, 20000
Register Number	: 0107547000931
Website	: <a href="http://www.citysteelpcl.com">http://www.citysteelpcl.com</a>
Email	: <a href="mailto:city@wkpgroup.com">city@wkpgroup.com</a>
Tel.	: (038) 782 - 064 - 68
Fax.	: (038) 782 - 069 - 70
Auditor	: Mr.Pojana Asavasontichai Certified Public Accountant (Thailand) No.4891 Dharmniti Auditing Company Limited 267/1 Pracharaj Sai 1 Road, Bangsue, Bangkok 10800 Tel : (02) 587 - 8080 Fax : (02) 586 - 0301, (02) 587 - 2018, (02) 587 - 5475 Website : <a href="http://www.dharmniti.co.th">http://www.dharmniti.co.th</a> Email : <a href="mailto:center@dharmniti.co.th">center@dharmniti.co.th</a>





# THE DETAILS OF SUBSIDIARY COMPANIES



## SIAM ISO PRO COMPANY LIMITED

Registered Capital	:	Baht 154,000,000, Ordinary Capital 15,400,000 Shares, Par Value Baht 10 each
Paid Up Capital	:	Baht 112,000,000 (As at 31 July 2012)
Type of Business	:	Investment and new business expansion
Head Office' s address	:	88/2 Moo 4, Bypass Road, Nongmaidaeng, Muang, Chonburi, 20000
Register Number	:	0205546002113
Email	:	isopro@wkpgroup.com
Tel.	:	(038) 782 - 064 - 68
Fax.	:	(038) 782 - 069 - 70



## MARK WORLDWIDE COMPANY LIMITED

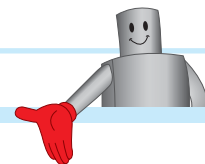
Registered Capital	:	Baht 295,000,000, Ordinary Capital 29,500,000 Shares, Par Value Baht 10 each
Paid Up Capital	:	Baht 280,200,000 (As at 31 July 2012)
Type of Business	:	Manufacturing and sales of metal, fabricated metal parts and providing metal processing services
Head Office' s address	:	41/58-61 Moo 1, Bypass Road, Bansuan, Muang, Chonburi, 20000
Branch 1' s address	:	120,122/8 Moo 3, Sukhumvit Road, Bansuan, Muang, Chonburi, 20000
Branch 2' s address	:	88/5 Moo 4, Bypass Road, Nongmaidaeng, Muang, Chonburi, 20000
Register Number	:	0205544011158
Email	:	mark@wkpgroup.com
Tel.	:	(038) 287 - 111
Fax.	:	(038) 289 - 151 - 3



## CITY STEEL PRODUCTS COMPANY LIMITED

Registered Capital	:	Baht 270,000,000, Ordinary Capital 27,000,000 Shares, Par Value Baht 10 each
Paid Up Capital	:	Baht 247,050,000 (As at 31 July 2012)
Type of Business	:	Manufacturing and sales of metal structures, storage systems and material handling equipment, and other metal products.
Head Office' s address	:	88/20 Moo 10, Bypass Road, Napa, Muang, Chonburi, 20000
Register Number	:	0205552013105
Email	:	citypro@citysteelpcl.com

# FINANCIAL HIGHLIGHTS



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

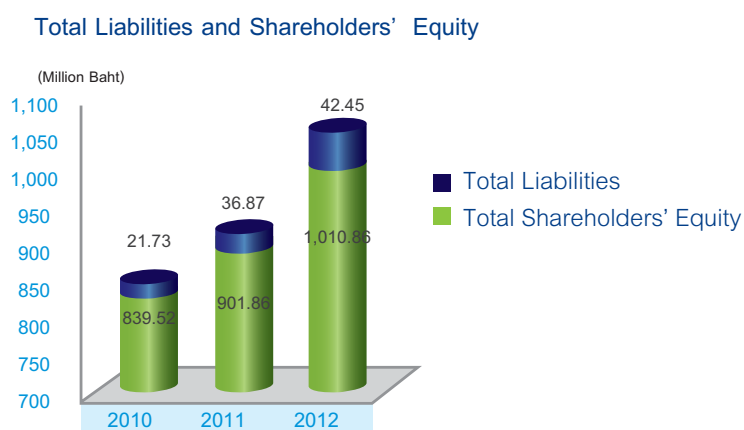
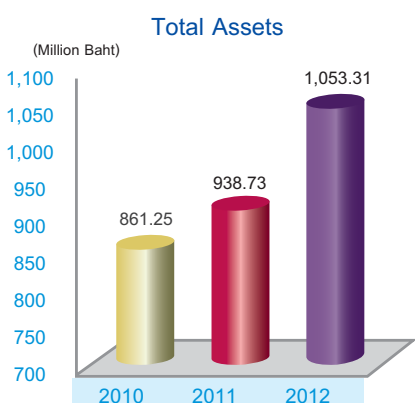
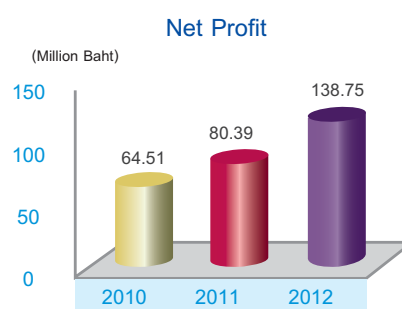
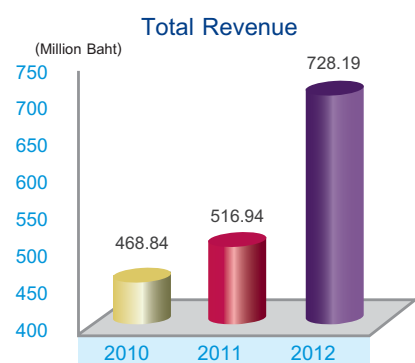
(Unit : Million Baht)

	2010	2011	2012
Total Revenue	468.84	516.94	728.19
Gross Profit	105.33	127.63	188.78
Net Profit	64.51	80.39	138.75
Total Assets	861.25	938.73	1,053.31
Total Liabilities	21.73	36.87	42.45
Total Shareholders' Equity	839.52	901.86	1,010.86
Paid-up Capital	300.00	300.00	300.00

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

(Unit : Million Baht)

		2010	2011	2012
Gross Profit Margin	(%)	22.67	25.10	26.10
Net Profit Margin	(%)	13.76	15.55	19.05
Return on Equity	(%)	7.84	9.23	14.51
Return on Assets	(%)	7.67	8.93	13.93
Liquidity Ratio	(times)	21.67	10.76	11.09
Debt to Equity Ratio	(times)	0.03	0.04	0.04
Dividend Payout Ratio	(%)	41.03	37.20	37.32







## Background and Major Milestones

### 1995

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

### 2002

Granted international standard ISO9002:1994 certification.  
Increased registered capital to Baht 31 million.

### 2003

Granted a brand “Thailand’s Brand” from Department of Export Promotion.  
Increased registered capital to Baht 59 million.

### 2004

Granted international standard ISO9001:2000 certification.  
Started service of steel service center (Branch 1),  
Started production of Siam ISO Pro Company Limited (BOI Privilege).  
Increased registered capital to Baht 200 million.  
Transformed into a Public Company on 5 October 2004.

### 2006

Increased registered capital to Baht 300 million.  
Approved as a registered company by the Stock Exchange of Thailand and started trading in the stock market on 23 February 2006.

### 2007

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

### 2009

Established “City Steel Products Company Limited” on 7 September 2009 with registered capital of Baht 100 million.

### 2010

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

### 2011

City Steel Products Company Limited increased registered capital to Baht 270 million.

# NATURE OF BUSINESS

## Business Overviews

In the 2011/2012, the Group consists of the Company and three subsidiaries; Siam ISO Pro Co., Ltd. (“Siam ISO Pro”), Mark Worldwide Co., Ltd (“Mark Worldwide”), and City Steel Products Co., Ltd. (“City Steel Products”). The Group objectives are to manufacture and sell metal structures, storage systems and material handling equipments, fabricated metal parts, other metal products, as well as to provide metal processing services, and to merchandise steel and other metal materials. The Group provides various kinds of products and services to serve different needs and demands of customers. The products are custom-made with high quality and by high technology and high precision machines to assure quality of the products. In addition, the Group also emphasizes on exceptional customer services and on time delivery.

Currently, the Group's total production capacities are 39,500 tons per year. There are 4 production facilities, located in Chonburi. The first factory has production capacity of 9,000 tons per year while the second factory and the third factory have production capacity of 7,000 tons per year, and 2,000 tons per year, respectively. All of these 3 production facilities are operated under Mark Worldwide with the total capacity of 18,000 tons per year. The fourth factory has been operated under City Steel Products with production capacity of 21,500 tons per year.

The details of subsidiaries as at 31 July 2012 are as follows:

1. Siam ISO Pro Co., Ltd.

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

2. Mark Worldwide Co., Ltd.

Mark Worldwide Co., Ltd. has registered capital of Baht 295 million with paid up capital of Baht 280.2 million. Mark Worldwide is fully owned by the Company with business objectives of manufacturing and sales of metal, semi-products, and fabricated metal parts as well as providing metal processing services.

3. City Steel Products Co., Ltd.

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

Details of the Group's business operation are as follows.

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

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

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

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

## The Group's Structure as at 31 July 2012





The Group manufactures and sells metal structures, storage systems and material handling equipment, fabricated metal parts, other metal products, as well as provides metal processing services to both domestic and overseas customers under the brand “CITY STEEL”. Although, the Group has the same executive management teams, it divides its operation into business units. Each unit has its own marketing and production teams but still keep up the same level of quality and standard for all products and services. The products are custom-made with specific shapes, sizes, and usage purposes as requested by customers and will be produced once received the orders from the customers (Made to Order). The Group separates the operation into 4 business units as follows:



## 1. Manufacturing and sales of metal products

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

### 1.1 Metal Structures and Metal Fabrication

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



Racking System



Mezzanine Platform



Shelving System



Constructional Products

# NATURE OF BUSINESS

## 1.2 Storage System and Material Handling Equipment

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



Mobile Shelving



Cabinet & Locker



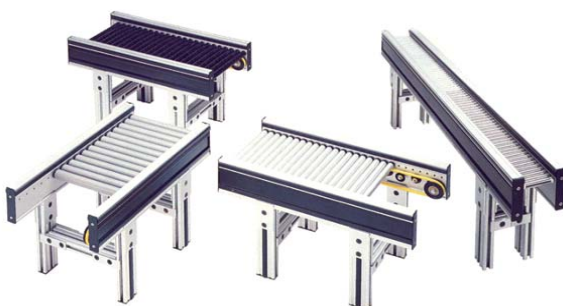
► **Material Handling Equipment** Material handling equipments are commonly used in transferring and handling processes in the production lines or assembly lines in the factories, and can be used in superstores, seaports or other places that required a carrying of products from place to place. Examples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



Cart and Dolly



Pallet



Conveyor System



Dock Equipment



## 1.3 Other Metal Products

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

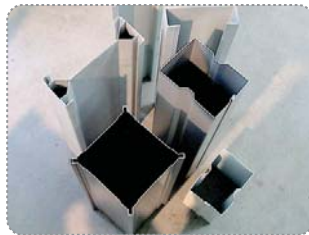


## 2. Manufacturing and sales of semi products and rendering of world class steel service

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

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

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



### 2.2 Metal Trade

The Company also merchandises metal materials as an additional service for customers. Normally, steel and other metal materials sold to customers are purchased from major local suppliers except for the materials that are not available in the country will be imported from international suppliers. Major metal materials sold include Hot Rolled Steel Plate, Stainless Steel Sheet, Cold Rolled Steel Plate, Square Steel Pipe, Checkered Plate, Furniture Steel Pipe, Zinc Sheet, Stainless Steel Pipe, Galvanized Steel Sheet, Stainless Steel Square Pipe, etc.



## 3. Supporting business

Supporting business unit is operated by the Company, responsible for all supporting activities within the organization including accounting and finance department, human capital management function, administration, and corporate communication.



## 4. Investment

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

# NATURE OF BUSINESS

As at 31 July 2012, the Group has 4 business locations as follows:

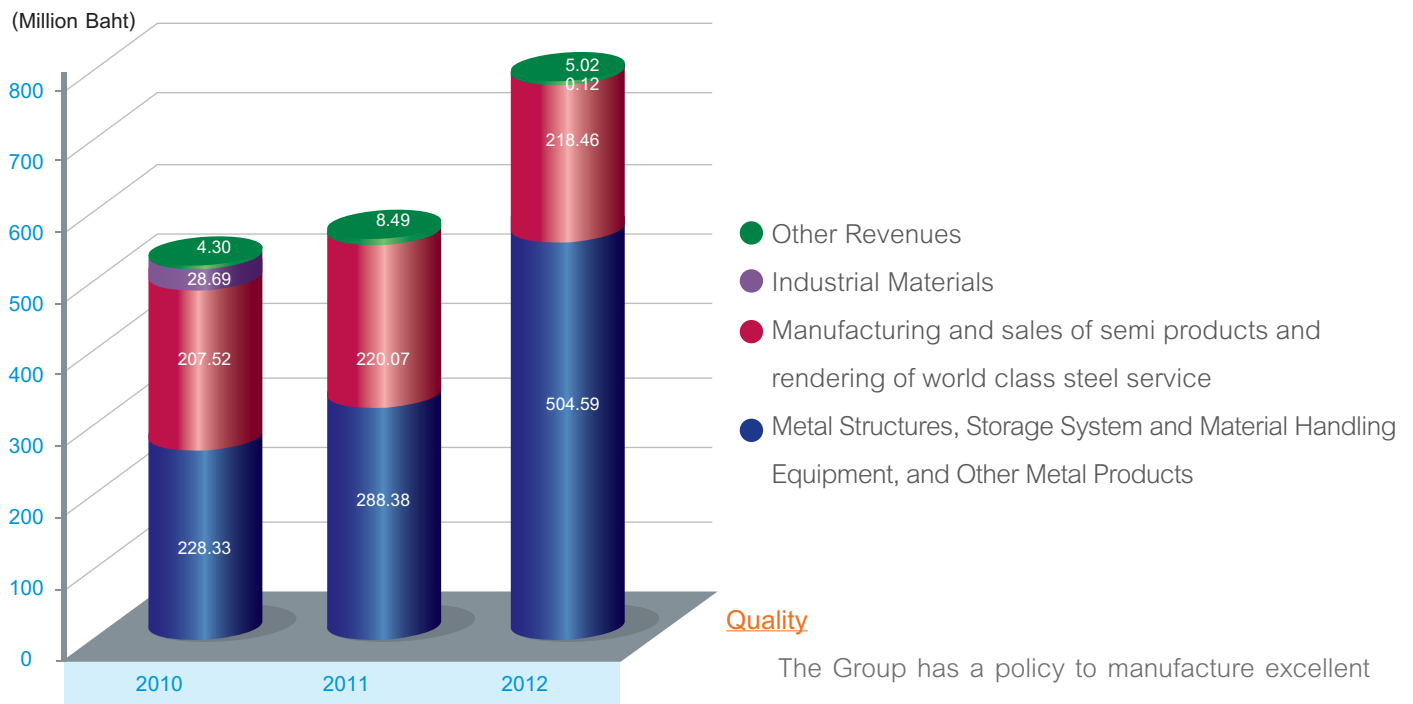
The Group	Asset	Address	Tenure
<b>The Company</b>	<b>Office</b>	88/3 Moo 4, Bypass Road,	Rent
	Area approximately 576 square meters	Nongmaidaeng, Muang, Chonburi	
<b>Siam ISO Pro Co., Ltd.</b>	<b>Office</b>	88/2 Moo 4, Bypass Road,	Rent
	Area approximately 96 square meters	Nongmaidaeng, Muang, Chonburi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

## Revenues Structure

Revenue Types	Generating by	2009 / 2010 (Aug 09 - Jul 10)		2010 / 2011 (Aug 10 - Jul 11)		2011 / 2012 (Aug 11 - Jul 12)	
		MB	%	MB	%	MB	%
<b>Revenue from Domestic</b>							
• Metal Structures, Storage System and Material Handling Equipment, and Other Metal Products	The Group	212.39	45.30	275.57	53.31	504.16	69.23
• Manufacturing and sales of semi products and rendering of world class steel services	The Group	207.52	44.26	220.07	42.57	218.46	30.00
• Industrial Materials	The Group	28.69	6.12	0.00	0.00	0.12	0.02
<b>Total Revenue from Domestic</b>		<b>448.60</b>	<b>95.68</b>	<b>495.64</b>	<b>95.88</b>	<b>722.74</b>	<b>99.25</b>
<b>Revenue from International</b>							
• Metal Structures, Storage System and Material Handling Equipment, and Other Metal Products	The Group	15.94	3.40	12.81	2.48	0.43	0.06
• Manufacturing and sales of semi products and rendering of world class steel services	-	-	-	-	-	-	-
• Industrial Materials	-	-	-	-	-	-	-
<b>Total Revenue from International</b>		<b>15.94</b>	<b>3.40</b>	<b>12.81</b>	<b>2.48</b>	<b>0.43</b>	<b>0.06</b>
• Other Revenues	The Group	4.30	0.92	8.49	1.64	5.02	0.69
<b>Total Revenues</b>		<b>468.84</b>	<b>100.00</b>	<b>516.94</b>	<b>100.00</b>	<b>728.19</b>	<b>100.00</b>



Revenue Structure by Product Categories



## Industry Condition and Competition

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

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

### Quality

The Group has a policy to manufacture excellent quality products that need to be tidy and durable by employing quality control in every production process.

### Cost

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

### Delivery

The Group emphasizes on on-time delivery of products.

### Innovation / Design

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

### Service

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

### Brand

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

# NATURE OF BUSINESS

## Customer Categories and Prospects

### 1.Domestic Customers

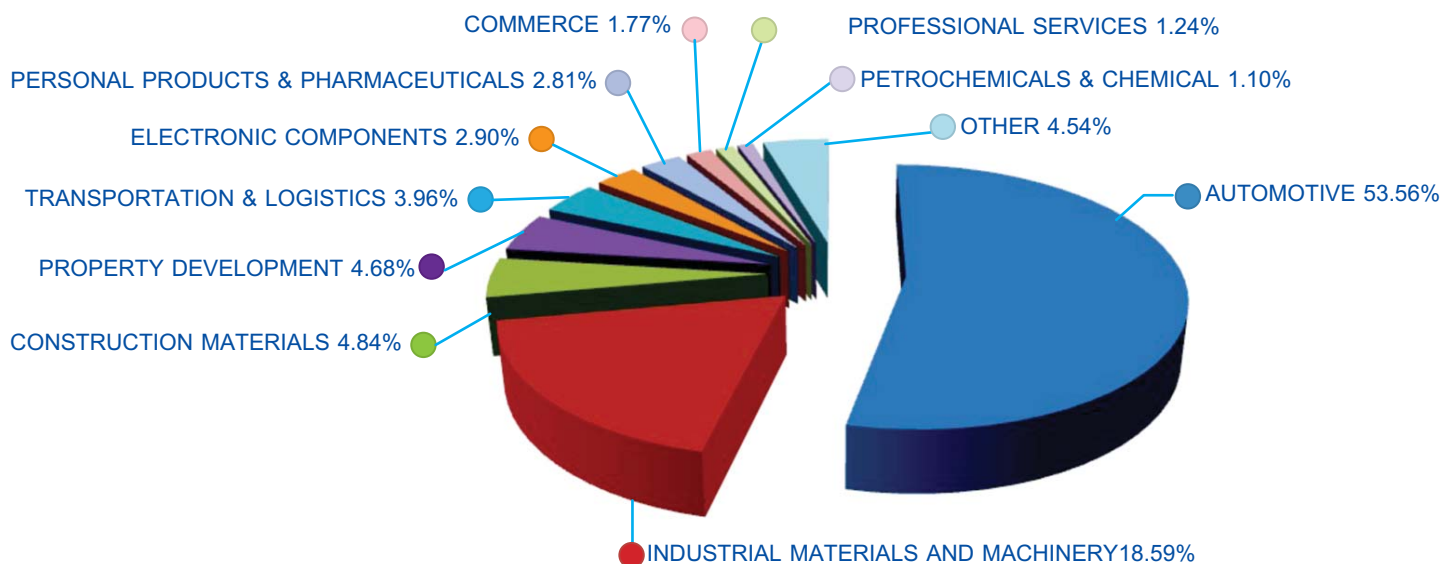
Domestic customers are users who use and employ all metal related products and services. The majority of customers are industrial users with medium to large in corporate sizes including companies in sectors of automotive industry, agribusiness and food industry, consumer products, finance and securities, industrial materials and machinery, property development and construction materials, professional services, energy and utilities, technology, and vice versa, which reside in every region of Thailand. Although, customers are located around the country, the Group is able to deliver and install the products to every customer. The Group maintains good relationships with customers, which resulted in repeated order from most of the customers. As at 31 July 2012, the Group's customer base is well diversified with over 3,000 companies in 25 industrial sectors as follows:

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

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

### 2. Foreign Customers

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



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

## **Risk associated with fluctuations of raw material prices**

Metal prices are directly related to demands and supplies of metal consumers and producers around the world and other related factors such as foreign exchange rate, import duty, and surcharge. Since, major raw materials used in production are steel including hot-rolled plates, cold-rolled plates, profiled steel, as well as stainless steel and aluminum, which accounted for 62.52% of cost of goods sold, changes in the metal prices may directly affect the Group's cost of goods sold and operating profits.

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

## **Risk associated with economic conditions**

During the past year, private sectors who affected from the flood disaster, had started to recover and invested in rebuilding and mending their production facilities as well as invested in metal structures to store their materials and products. The government sector also had restored the affected areas and issued numerous stimulus policies to encourage investments and businesses expansion. As a result, demands for capital goods and products related to metal structures, storage systems, and material handling equipment had increased, in which causing the Group's operating performance to improve. Despite an improvement in domestic investments and businesses expansion, the global economies are still in a recession. The recovery of the United States economy started to slow down, the European sovereign debt crisis had not been resolved and started to expand, economic growth in many countries tended to decline,

all of these factors will negatively affect the domestic economy especially the industrial sectors that export their products to these countries. However, as the Group has varieties of products and services and continues developing and offering new products, the Group is able to provide products and services to meet the demands of both existing and new customers, which help the Group, maintains and expands the customer base to cover all industrial sectors. Currently, the Group has a customer base of over 3,000 customers diversify in 25 industries so if a particular industry incurs a contraction, the Group will be able to provide products and services to other growing industries. This customer diversification policy will be able to minimize the risk associated with economic recession.

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

Presently, the Group's major revenues mainly derive from domestic sales. The proportion of domestic sales in 2009/2010, 2010/2011, and 2011/2012 are 96.57%, 97.48%, and 99.94%, respectively. According to these figures, the proportion of domestic customers was increasing. Since during the past 2-3 years, domestic economy had recovered, and industrial sector had expanded especially after the flooding incident, the government had employed several policies to stimulate economy, which resulted in an increase in demands for the Group's products. As the demands increases and the Group's production capacities are still limited, the Group has prioritized the capacities to support domestic demands, which caused export revenues to decline. However, the Group has strived to increase its production capacities and expand to overseas markets by investing in production facilities and machines and equipment through a subsidiary, and increase overseas distribution channels by direct selling to end users, distributing through agents, as well as participating in trade exhibitions. The Group will operate with caution and emphasize in the countries that the economies are still growing and are not significantly impacted from the financial crisis in Europe. The Group anticipates that an



# RISK FACTORS

increase in production capacities and an increase in oversea distribution channels will be able to expand its customer base in foreign markets, which can minimize the risk of relying on domestic market.

## **Risk associated with uncertainty of revenue**

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

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

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

## **Risk associated with granting lines of credit to customers**

As at 31 July 2012 the Group's accounts receivable was Baht 100.98 million, which equaled to 13.96% of

revenues, with average collection period of 47.60 days. According to these figures, the Group has exposed to the collection risk of the accounts receivable and may incur some collection expenses if the Group's customers have problems in operating their businesses, and consequently affect the Group's operating profits and financial status.

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

## **Risk associated with entry of potential newcomer**

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

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

However, to survive and prosper in this business, it



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

### **Risk associated with exchange rate**

In 2011/2012, the Group has imported goods from

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

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

# SHAREHOLDER'S STRUCTURE

The major shareholders whose names appeared in the share registrar as at 16 October 2012 are shown as follows:

Name of Shareholders	Number of Shares	%
1. WKP Asset Plus Company Limited <sup>/1</sup>	166,500,000	55.50
2. Thai NVDR Company Limited	27,522,700	9.17
3. Mr.Komgrich Phongratanadechachai	7,709,625	2.57
4. Mr.Wibool Phongratanadechachai	7,500,000	2.50
5. Mrs.Kheng Phongratanadechachai	7,500,000	2.50
6. Mr.Satit Phongratanadechachai	7,500,000	2.50
7. Miss Suputra Phongratanadechachai	7,500,000	2.50
8. Mrs.Orawan Phongratanadechachai	7,500,000	2.50
9. Mr.Bundit Phongratanadechachai	7,180,000	2.39
10. Mr.Akarat Iamla-or	1,840,000	0.61
11. Mr.Wisit Ngaolertloi	1,420,000	0.47

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

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

## The Board of Directors

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

As of 31 July 2012, the Board of Directors consisted of 8 members as listed below:

### Chairman of the Board of Director

1. Mr. Wibool Phongratanadechachai

### Director

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

## Authorized Directors

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

## Roles and Responsibilities of the Board of Directors

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

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

3. To monitor the executives as such they efficiently operate according to the Company's policies. Also, to ensure that the executives disclose all material issues that affect the Company's operations as well as connected transactions, which shall be comply with the rules and regulations of the Security Exchange Commission.

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

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

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

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

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



# MANAGEMENT STRUCTURE

However, that above authorization must comply with rules, regulations, and resolutions that approved by the Board of Directors and must not authorize the transactions that may have conflict of interests with the Company or subsidiaries. In addition, the transactions must be presented to the Board of Directors for their considerations. The Board of Directors have authorized the Authorized Directors to perform general operating tasks except for the following tasks that must be authorized by the Shareholders' meeting.

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

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

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

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

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

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

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

5. To increase or decrease registered capital.

6. To liquidate the Company.

7. To issue bonds.

8. To merge the Company with other company.

## Criteria and Procedures of Directors and Executives Nomination

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

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

1. Each shareholder has one vote for one share.

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

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

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



# MANAGEMENT STRUCTURE

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

## Attendance of Director Meeting for the year 2011/2012

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

## Board of Directors Remuneration

Name of Director	Year 2009/2010		Year 2010/2011		Year 2011/2012	
	Amount (Baht)	Remu- nerations	Amount (Baht)	Remu- nerations	Amount (Baht)	ลักษณะค่า ตอบแทน
1. Mr.Wibool Phongratanadechachai	Meeting	Meeting	66,000.00	Meeting	66,000.00	Meeting
2. Mr. Komgrich Phongratanadechachai	-	-	-	-	-	-
3. Mr. Satit Phongratanadechachai	-	-	-	-	-	-
4. Miss Suputra Phongratanadechachai	-	-	-	-	-	-
5. Mr.Charoenpong Ongwongsakul	-	-	-	-	-	-
6. Mr. Manop Chiwatanasoonton	Meeting	Meeting	66,000.00	Meeting	66,000.00	Meeting
7. Mr. Anutara Tantraporn	Meeting	Meeting	52,800.00	Meeting	52,800.00	Meeting
8. Mr. Patarathorn Thatsanasuwan	Meeting	Meeting	52,800.00	Meeting	52,800.00	Meeting



# MANAGEMENT STRUCTURE

## Audit Committee

As at 31 July 2012, the Audit Committee consists of

3 Independent Directors as below:

### Chairman of the Audit Committee

1. Mr. Manop Chiwatanasooton

### Audit Committee

2. Mr. Anutara Tantraporn

### Audit Committee

3. Mr. Pattarathon Thatsanasuwan

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

## Roles and Responsibilities of the Audit Committee

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

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

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

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

4. To consider, select, and nominate the independent external auditor and propose the auditor's remunera

tion to the Board of Director for the approval of the Shareholders' Meeting by considering the reputation, resources, capacity, as well as the experience of such external auditor.

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

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

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

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

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

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

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

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

2. Independent Directors are required to follow these guidelines;

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

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

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

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

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

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

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

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

## Executive Directors

As at 31 July 2012, the Company had 4 members of the Executive Director consisting of:

### Chairman of the Executive Director

1. Mr. Komgrich Phongratanadechachai

### Executive Director

2. Mr. Satit Phongratanadechachai

3. Miss Suputra Phongratanadechachai

4. Mr. Charoenpong Ongwongsakul

## Executive Director's Roles and Responsibilities

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

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

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

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

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

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

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

# MANAGEMENT STRUCTURE

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

The Executive Director also has the authority to make decisions relating to any normal business transactions of the Company, which does not include approval of transactions which may cause a conflict of interest with the Company or its subsidiary according to the Stock Exchange of Thailand's regulations. The Executive Director is required to obtain approval from the Board of Director or Shareholders for connected transactions in accordance with the Company's Articles of Association or relevant laws, except for normal business transactions already covered by existing guidelines approved by the Board.

## Management Team

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

## Company Secretary

1. Mrs. Parichard	Phongratanadechachai
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## Executive Director Remunerations

	Year 2009/2010		Year 2010/2011		Year 2011/2012	
	Persons	Amount (Baht Million)	Persons	Amount (Baht Million)	Persons	Amount (Baht Million)
Total Salary	6	7.20	6	7.16	6	7.15
Total Bonus	6	0.76	6	0.74	6	0.75
<b>Total</b>	<b>6</b>	<b>7.96</b>	<b>6</b>	<b>7.90</b>	<b>6</b>	<b>7.90</b>



## Details of All Directors and Executives

No	Name	Age (Years)	Academic Qualifications	Share Holding	Family relations between executive	Previous 5 year experience		
						Year	Position	Company
1	Mr. Wibool Phongratanadechachai	68	- N/A	2.50	Father	1995 - Present	Chairman of the Board of Directors	City Steel Pcl.
			- Director Accreditation Program (DAP)					
			26/2004				*(Authorized Directors)	
			Thai Institute of Director Association (IOD)					
2	Mr. Komgrich Phongratanadechachai	40	- MBA : Business Administration, Strayer University, USA	2.57	Mr. Wibool's son	2002 - Present	Director / Chief Executive Officer	City Steel Pcl.
			- BBA : Business Administration, Assumption University			1995 - Present	Chairman of Executive Director	City Steel Pcl.
			- Director Accreditation Program (DAP)					
			27/2004				*(Authorized Directors)	
3	Mr. Satit Phongratanadechachai	37	Thai Institute of Director Association (IOD)	2.50	Mr. Wibool's son	2002 - Present	Director / Managing Director	City Steel Pcl.
			- MBA : Business Administration, Shenandoah University, USA			2002 - Present	Executive Director	City Steel Pcl.
			- BBA : Business Administration, Assumption University					
			- Director Accreditation Program (DAP)				*(Authorized Directors)	
4	Miss Suputtra Phongratanadechachai	30	Thai Institute of Director Association (IOD)					
			- MBA : Business Administration, San Francisco State University, USA	2.50	Mr. Wibool's daughter	2003 - Present	Director / Deputy Managing Director	City Steel Pcl.
			- BBA : Business Administration, Assumption University			2003 - Present	Executive Director	City Steel Pcl.
			- Director Accreditation Program (DAP)					
			26/2004				*(Authorized Directors)	
			Thai Institute of Director Association (IOD)					

## Details of All Directors and Executives (Cont.)

No	Name	Age (Years)	Academic Qualifications	Share Holding	Family relations between executive	Year	Previous 5 year experience	
							Position	Company
5	Mr. Charoenpong Ongwongsakul	34	- B.Eng : Electrical Engineering King Monkut's University of Technology Thonburi - Director Accreditation Program (DAP) 61/2007 Thai Institute of Director Association (IOD)	0.30	Brother of Mr. Komgrich's spouse	2005 - Present	Director / Deputy Managing Director	City Steel Pcl.
6	Mr. Manop Chiwatanasoonton	56	- M.A. : Social Development Kasetsart University - B.Econ : Economics (Public Finance) Ramkhamhaeng University - Director Accreditation Program (DAP) 27/2004 Thai Institute of Director Association (IOD)	0.12	-	2006 - Present	Independent Director / Chairman of the Audit Committee	City Steel Pcl.
						Present	Director, Bureau of Industrial Management Development	Bureau of Industrial Management Development
						2010 - 2012	Director, Bureau of Supporting Industrial Development	Bureau of Supporting Industrial Development
						2007 - 2009	Director, Bureau of Industrial Management Development	Bureau of Industrial Management Development
								Department of Industrial Promotion

## Details of All Directors and Executives (Cont.)

No	Name	Age (Years)	Academic Qualifications	Share Holding	Family relations between executive	Year	Position	Company
7	Mr. Anutara Tantraporn	41	- MA : Animation & Interactive Multimedia, Visual Communication RMIT University, Australia - Grad. DIP : Animation & Interactive Multimedia, Visual Communication RMIT University, Australia - Cert. DIP : Computer Aided Art & Design, School of Art and Design, RMIT University,Australia - Director Accreditation Program (DAP) 61/2007 Thai Institute of Director Association (IOD)	-	-	2006 - Present 2010 - Present 2010 - Present 2009 - Present  2009 2009	Independent Director / Audit Committee Managing Director Executive Director ICT Division Manager Managing Director Executive Director Chief Technology Officer	City Steel Pcl. Ideoseed Co., Ltd. Hastin Kindergarten School Pharam 3 Honda Cars Co., Ltd. Ideoseed Co., Ltd. Learn Balance Group
8	Mr. Pattarathon Thatsanasuwan	37	- LL.B. : Law, Ramkhamhaeng University - B.Sc. : Science, Chandrakasem Rajabhat University - Director Accreditation Program (DAP) 61/2007 Thai Institute of Director Association (IOD)	-	-	2006 - Present 2010 - Present 2010 - Present 2006 - Present  2003 - 2009  2003 - 2009 2007	Independent Director / Audit Committee Consultant and Partner Consultant Lawyer and Partner  Managing Partner  Juristic Person - Project Manager Advisor	City Steel Pcl. Beyond99 Insurance Broker Co., Ltd Thai Fitting Home Group PTM and Associate Limited Partnership Law Office. Pattarathon and Friend Law Office Donjaedee Mansion Project 2 17 Enterprise's Group Co., Ltd.

## Details of All Directors and Executives (Cont.)

No	Name	Age (Years)	Academic Qualifications	Share Holding	Family relations between executive	Previous 5 year experience		
						Year	Position	Company
9	Miss Walailuk Kuhapensang	49	- Upper Secondary School	0.00 <sup>/1</sup>	-	2006 - Present	General Manager - Core Function	City Steel Pcl.
			Metropolis Non-Formal Education Center					
			- Director Accreditation Program (DAP)					
			27/2004					
			Thai Institute of Director Association (IOD)					
10	Miss Boontip Phetruiy	37	BBA : Management, Accounting	0.00 <sup>/1</sup>	-	2006 - Present	General Manager - Support Function /	City Steel Pcl.
			Phuket Rajabhat University				Accounting and Finance Manager	

Remark <sup>/1</sup> Hold 15 shares, equal to 0.000005%



## Details of Subsidiaries' Directors

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

### Remark

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



# CORPORATE GOVERNANCE

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

## 1. Corporate Governance Policy

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

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

## 2. The Shareholders' Rights

### The rights to receive company information

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

### The rights to vote and express opinion

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

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

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

## 3. The Stakeholders' Rights

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

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

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

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

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

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

## 4. Shareholder Meetings

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

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

## 5. The Leadership and Vision

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

- The Board of Directors participates in the formulation (or provides its approval) of the vision, mission, strategies,

business plan, goals, and budget of the Company. It also oversees that management operates efficiently and effectively in accordance with the predetermined business plan and budget, with a view to creating the highest economic value for the business, and the greatest degree of stability for shareholders.

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

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

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

## 6. Conflicts of Interest

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

► Transactions that may have conflict of interests

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

and regulations of the Stock Exchange of Thailand.

► Supervision of the usage of inside information

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

## 7. Business Ethics

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

### Ethics for business operation

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

#### Shareholder :

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

#### Customers :

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

#### Suppliers or Creditors :

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

#### Competitors :

The Company shall operate the business within the good competition rules

#### Employees :

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

#### Nation :

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

## **Community :**

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

## **Ethics of the Board of Directors**

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

2. Act in accordance with laws, purposes, and policies of the Company, as well as resolutions of the shareholders' meeting, and safeguard the Company benefits.

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

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

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

## **8. Balance of power by Non-Executive Director**

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

- ▶ 4 Executive members
- ▶ 4 Non-executive members

There are 3 independent directors or equal to 37.50% of all directors.

## **9. Merging or Splitting of Titles**

The Company's Chairman of the Board is not the same person as the Chairman of the Executive Director or the CEO, but both are related by blood. However, the Company clearly divided scopes of roles responsibilities between the Chairman of the Board of Directors, the Chief Executive Officer (CEO) with a clear stipulation. In addition, the Company has 3 Independent Directors/Audit Committee, which facilitates a suitable balance

and monitor management operation. Moreover, the Company has Internal Audit Department, which report directly to the Audit Committee and responsible for controlling and auditing the operation of the Company in accordance with its policy.

## **10. Remuneration of Directors and Executives**

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

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

## **11. Directors Meeting**

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

## **12. Sub-Committee**

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

## **13. Internal Control and Internal Audit System**

In order to achieve effective results in both executive and operation levels, the Company has specified clear and appropriate criteria and procedure in internal control system. The duty and authority of operating staff and



executives are stipulated clearly in written. The duties of operator staff, supervisor, controller, and evaluator are separated to achieve proper counterbalance and counter investigation. Apart from this, there are internal financial controls by establishing financial report system to be submitted to responsible executives accordingly.

The Audit Committee has reviewed the adequacy, suitability, and efficiency of the internal control system through the cooperation between the management team and the internal auditor. The result can be concluded that the operation and the management of the Company have been operated under adequate internal control system. The overall operation of the Company has arranged the working principle which can be counted as an adequate control and supervise that can bring the confident that the Company will be able to accomplish its objectives.

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

#### 14. Report of the Board of Directors

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

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

The Audit Committee has an opinion that, the Company sufficiently and properly maintains internal control system

and acceptable risk management, which in turn ensure that the financial statements are presented fairly and accurately.

#### 15. Relationship with Investors

The Board of Directors realizes the important of accurate and timely disclosure, including disclosure of financial information and other information that may affect the Company's share price. Such disclosure will be done through Stock Exchange of Thailand and the Company's website. Moreover, the Company has assigned Miss Boontip Phetrui as a contact person or investor relation to provide information about the Company to investors, shareholders, financial analysts, and relevant parties. The contact information are Tel (038) 782-064-68 or [www.citysteelpl.com](http://www.citysteelpl.com) or [ir@wkpgroup.com](mailto:ir@wkpgroup.com)

#### Supervision of the Usage of Inside Information

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

1. Director, Executive, and employee of the Company must keep the Company's secret and/or the Company's inside information.
2. Director, Executive, and employee of the Company must not disclose the Company's secret and/or inside information for their own or for other person benefits either directly or indirectly and whether they gain earnings in return or not.
3. Director, Executive, and employee of the Company must not buy, sale, transfer or receive the transfer of



# CORPORATE GOVERNANCE

Company's securities by using Company's secret and/or inside information. They must not engage in any legal activities by using Company's secret and/or inside information that may cause damage to the Company either directly or indirectly. Closed relative of the Director, Executive, and employee of the Company are also subjected to this regulation. (Closed relative means person who related by blood, by marriage, and by legal registration such as father, mother, spouse, child, brother, sister, uncle, and aunt including spouse of these persons).

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

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

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

## Dividend Policy

The Company has a policy to pay approximately 40% of its net profit after tax and legal reserve as dividends. However, the dividend payout maybe changed according to future investment plans and any other actions that deemed necessary and appropriate. The changes in dividend payments should be under the condition that those actions must be taken for the best interests of shareholders, such as the provision for loan repayment, the new investment in business expansion, or in the case of any adverse change that might affect the Company's cash flow. The Board of Directors is authorized to consider the dividend payment, however, the resolution of dividend payment must be proposed for the approval of shareholders' meeting except for the case of interim

dividend payment as the Board of Directors has the authority to approve before informing the interim payment to the subsequent shareholders' meeting.

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

The Company paid dividend for 2010/2011 operating performance at Baht 0.10 per share or equal to 40% of net profit after tax and legal reserve.

# RELATED PARTY TRANSACTIONS

### Amounts and Ending Balances of Related Party Transactions

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

Person/Juristic Person who may have conflicts of interests	Relationship	Transactions Details	Transactions Amounts (Million Baht)	Audit Committees' opinion on Related Party Transactions And necessity and appropriateness of Transactions
			Year 2010/2011      Year 2011/2012	
1 Siam C.T.P. Industrial Co., Ltd.	- Phongratanadechachai family is the major shareholders of Siam C.T.P. Industrial Co., Ltd. with 100% proportion of total share. In addition Mrs. Kheng Phongratana dechachai and Mr. Bundit Phongratanadechachai, Mr.Wibool Phongratanadechachai's spouse and son are the directors of Siam C.T.P. Industrial Company Limited	(1) The Company  - Electricity Expenses	1.00	The Company purchases electricity from Siam C.T.P. Industrial Co., Ltd.
Business: Manufacturing and sales of metal automotive accessories				Actual volume of electricity used is calculated from the meter volume at the power generator and rate for electricity expenses is the rate that Provincial Electricity Authority charges to Siam C.T.P. Industrial Co., Ltd. plus margin.
Address: 88 Moo.4 Bypass Road, Nongmaidaeng, Muang, Chonburi, 20000		(2) Mark Worldwide Co.,Ltd  - Electricity Expenses	0.12                  1.41	Mark Worldwide Co., Ltd. purchases electricity from Siam C.T.P. Industrial Co., Ltd. Actual volume of electricity used is calculated from the meter volume at the power generator and rate for electricity expenses is the rate that Provincial Electricity Authority charges to Siam C.T.P. Industrial Co., Ltd. plus margin.
				Audit Committees' opinion : These transactionsare appropriately and fairly determined in both commercial terms and pricing policy, and also generate benefits to the Company.

## Amounts and Ending Balances of Related Party Transactions (Cont.)

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

Person/Juristic Person who may have conflicts of interests	Relationship	Transactions Details	TransactionsAmounts (Million Baht)		Audit Committees' opinion on Related Party Transactions And necessity and appropriateness of Transactions
			Year		
			2010/2011	2011/2012	
2	WKP Asset Plus Co., Ltd.	(1) The Company	0.13	0.04	The Company rents office buildings from WKP Asset Plus Co., Ltd. with total area of 576 square meters. Rental period is 2 years 9 Month from 1
	Business: Property Development	- Rent Expenses			October 2010 to 31 July 2013. Rent expenses are similar to market price of
		Company's shares of 166.50 million			other properties in the same area.
		shares, accounted for 55.50% of			
		the registered capital.			
	Address: 88/8 Moo.4	(2) Siam ISO Pro Co.,Ltd	0.01	0.01	Siam ISO Pro Co., Ltd. rents office buildings from WKP Asset Plus Co.,
	Bypass Road, Nongmaidaeng,	- Rent Expenses			Ltd. with total area of 96 square meters. Rental period is 2 years 9 Month
	Muang, Chonburi, 20000				from 1 October 2010 to 31 July 2013. Rent expenses are similar to market
					price of other properties in the same area.
		(3) Mark Worldwide Co.,Ltd	0.49	0.59	Mark Worldwide Co., Ltd. rents office buildings and factories (Branch 1)
		- Rent Expenses			with total area of 1,680 square meters and factories (Branch 2) with total
					area 8,208 square meters from WKP Asset Plus Co., Ltd. Rental period is 2
					years 9 Month from 1 October 2010 to 31 July 2013. Rent expenses are
					similar to market price of other properties in the same area.
					Audit Committees' opinion: These transactions are appropriately and fairly
		total of 5 persons are the directors			determined in both commercial terms and pricing policy, and generate
		of WKP Asset Plus Co., Ltd.			benefits to the Company.



### **Measurement or Procedure for the Approval of Connected Transaction**

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

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

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

The Audit Committee together with Executive Management have reviewed connected transactions based on the appropriateness and concluded that the connected transactions occurred during the year 2010/2011 were rationale and appropriate in both pricing policies and business terms and create benefits to the Company.

### **Policy and Future Trend of Connected Transaction**

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

statements according to generally accepted accounting principles and also disclose in the annual report.

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



# MANAGEMENT DISCUSSION AND ANALYSIS

## Financial Position

### Assets

As at 31 July 2012, the Group's total assets were Baht 1,053.31 million, which primarily consisted of properties, plants, and equipment accounted for Baht 569.02 million or equal to 54.02% of total assets. Major parts of properties, plants, and equipment derived from investment in factories, office buildings, and machines of subsidiaries where as cash and cash equivalents amounted to Baht 250.99 million accounted for 23.83% of total assets. The Group's cash and cash equivalents were relatively high as a proportion of total assets since the Group needed to maintain these cash and cash equivalents as working capital. As sales increase, the Group will need more cash flows to operate the business, which including purchasing more goods and materials and incurring more accounts receivable. The remaining cash and cash equivalents will also be used in investing in the new subsidiary for constructing of the factories and office building as well as purchasing of assets used in business operation.

In the year 2011/2012, the Group's total assets increased by Baht 114.58 million or increased by 12.20% compared to those in the accounting period 2010/2011 which as at 31 July 2011 had a value of Baht 938.73 million. The increase in the Group's total assets mainly derived from increases in investment in available-for-sales securities, cash and cash equivalents, as well as properties, plants, and equipment. As a result of an improvement in operating performance in the year 2011/2012, the Group's cash inflow from operating activities has increased. The Group has invested a good amount of cash from operating activities in available-for-sales securities which yield fairly high returns and also offer high liquidity so that the Group can still uses these available-for-sales securities as a working capital, invest in assets in subsidiaries, as well as invest in other investments once the opportunity arrive. The remaining cash from operating activities has been invested in production facilities and fixed assets of City Steel Products,

the subsidiary, and also kept in the form of cash and bank deposits. The increase in the above mentioned assets contributed to an increase in total assets in the year 2011/2012.

### Quality of Assets

#### *- Trade Accounts Receivables - Net*

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

As at 31 July 2011, the Group's outstanding trade accounts receivables were Baht 90.25 million, and as at 31 July 2012 were Baht 100.98 million, which increased by Baht 10.73 million or equal to 11.89%. This is consistent with the increase of revenue from sales and services of the Group. Almost all of the outstanding balances of trade accounts receivables were not yet due and less-than-3-month overdue, which conformed to the Group's credit policies. The trade accounts receivables aging schedules as at 31 July 2011 and 2012 were presented as follows.

# MANAGEMENT DISCUSSION AND ANALYSIS

(Unit: Thousand Baht)

Trade accounts receivable	31 July 2011	31 July 2012
Current receivables	58,561	58,124
Past due less than 3 months	31,447	42,859
Past due 3 months to 6 months	244	-
Less: Allowance for doubtful accounts	-	-
<b>Trade accounts receivables - net</b>	<b>90,252</b>	<b>100,983</b>

Because of most of the Group's customers are medium to large companies or multinational corporations who have strong financial positions as well as the Group's cautious credit policies by screening each customer's financial positions before granting credits and requesting deposits from some of new customers, all trade accounts receivables could be collected. Therefore the Group did not set any provision for doubtful accounts both in 2010/2011 and 2011/2012. However, the Group had a portion of overdue trade accounts receivables. The trade accounts receivables that past due less than 3 months were resulted from the customers' billing and payment policies that set the payment dates after the actual due dates.

## - Inventory

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

As at 31 July 2012, the Group's inventory balance was Baht 25.83 million, decreased from the balance as at 31 July 2011 of Baht 54.47 million by Baht 28.64 million or 52.58%. A reduction in total inventory mainly caused by a decrease in amount of raw materials and supplies. Since, during the year 2011/2012, the Group's manufacturing processes had been more efficient and inventory turnover become faster, plus costs of raw materials have been quite stable, the Group had decided to keep inventory at minimum amount. And as a result of that, the amount of raw materials and supplies had decreased from those in the year 2010/2011. The Group's inventory balances as at 31 July 2010 and 31 July 2011 were presented below.

(Unit: Thousand Baht)

Inventory	31 July 2011	31 July 2012
Finished products (to be delivered)	590	686
Work in process	1,040	1,336
Raw materials and supplies	52,836	23,807
<b>Total</b>	<b>54,466</b>	<b>25,829</b>
Less: Allowance from declining in value	-	-
<b>Inventory - net</b>	<b>54,466</b>	<b>25,829</b>

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



# MANAGEMENT DISCUSSION AND ANALYSIS

## - Unused Assets

The Group had unused assets with net book value as at 31 July 2012 of Baht 15.94 million, which primarily consisted of office building under construction of City Steel Products. The Group also had investment property which is a plot of land of Siam ISO Pro with the book value of Baht 18.10 million. This plot of land had appraised by independent appraiser at the fair value of Baht 20.96 million. At present, this land has not yet been used in business operation.

## Liquidity

For the period 2011/2012 the Group's net cash flows from operating activities were Baht 242.44 million, increased by Baht 103.20 million or equal to 74.12% compare to the year 2010/2011 which had operating cash flows of Baht 139.24 million. A rise in cash flows from operating activities primarily due to an increase in incomes before tax and decreases in operating assets including accounts receivable, inventories, and other current assets.

The Group's liquidity ratios equaled to 21.67 times, 10.76 times, and 11.09 times and quick ratios equaled to 16.71 times, 8.21 times, and 10.36 times in 2009/2010, 2010/2011, and 2011/2012, respectively. According to these numbers, the Group's liquidity is financially sound. The Group has strong financial condition and does not have any problems regarding to liquidity.

Since the Group has high liquidity, the Group purchases most of raw materials and supplies in cash in order to get cash discounts. As employing this policy, the Group's average payment period was quite low, equaled to 22.13 days in 2010/2011 and 22.06 days in 2011/2012. For average age of inventory, the Group's average age of inventory equaled to 27.05 days in 2011/2012, which decreased from 68.77 days in 2010/2011. The decrease in average age of inventory primarily due to a reduction in the amount of inventories and also an improvement in manufacturing processes that can reduce production times. In addition, the Group's average collection period was also slightly improve from

54.49 days in 2010/2011 to 47.60 days in 2011/2012.

The average collection period figures were considered as normal since the Group's credit terms for most customers were 30-60 days.

The Group had cash outflows from investing activities of Baht 158.31 millions in the year 2010/2011 and Baht 174.04 million in the year 2011/2012. Cash outflows from investing activities mostly used in investing in fixed assets, and properties, plants, and equipment of the subsidiary, City Steel Products and investing in available-for-sales securities.

The Group's net cash flows used in financing activities for the year 2010/2011 were Baht 30.00 million, which were the amounts of annual dividend payment to the shareholders.

## Suitability of Capital Structures

As at 31 July 2012, shareholders' equity of the Group was Baht 1,010.86 million increased from 31 July 2011 which had shareholders' equity amount of Baht 901.86 million by Baht 109.00 million or equal to 12.09%. An increase in shareholders' equity mainly due to an increase in retained earnings. The Group's debt to equity ratios were minimal, equaled to 0.04 times in the year 2009/2010 and 2010/2011 since the Group's sources of funds for business expansion largely came from an issuance of additional shares and earnings from operation. Furthermore, as the Group had a good amount of cash on hand available and made payment of accounts payable in cash in order to get cash discounts, the current liabilities of the group were relatively low.

## Liabilities

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



short-term borrowings from financial institution. Nonetheless, during the year 2011/2012, the Group did have non-current liabilities of Baht 0.70 million related to employee benefits obligations in respect of the severance payments to employees upon retirement under the Company's article and labor law. The Group determined and recorded these employee benefits as non-current liabilities according to Thai Accounting Standard 19 (TAS19), Employee Benefits that was effective in the accounting period 2011/2012.

## Operating Results

### Overviews

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

The Group's total revenues in 2009/2010, 2010/2011, and 2011/2012 were Baht 468.84 million, Baht 516.94 million, and Baht 728.19 million which increased by 10.26% in 2010/2011, and increased by 40.87% in 2011/2012. During the year 2011/2012 after the severe flooding incident, private and industrial sectors that affected from the flooding recovered. They started to do the maintenance on their production facilities and warehouses as well as the Storage Systems and Material Handling Equipments, which resulted in an increase in demands for the Group's products. In addition, government policy to support automotive industry such as tax benefits for people who purchase their first car or a stimulation policy to expand production capacities and export of automobiles, also help boosting demands for the Group's products. Furthermore, the expansion of the Group's production capacities through City Steel Products, subsidiary in the year 2010/2011 allowed the Group to have enough

capacities to accommodate those demands, which ultimately resulted in an increase in total revenues in the year 2011/2012,

The Group's expenses consisted of the followings:

1. Cost of sales and services were Baht 359.21 million, Baht 380.82 million, and Baht 534.39 million in 2009/2010, 2010/2011, and 2011/2012 attributable to 76.62%, 73.67%, and 73.39% of total revenues.

2. Selling expenses were Baht 7.03 million in 2009/2010, Baht 11.16 million in 2010/2011, and Baht 9.46 million in 2011/2012, equaled to 1.50%, 2.16%, and 1.30% of total revenues respectively.

3. Administrative expenses were Baht 27.73 million, Baht 33.85 million, and Baht 34.69 million which equaled to 5.91%, 6.55%, and 4.76% of total revenues in 2009/2010, 2010/2011, and 2011/2012.

4. Director and management remuneration were Baht 8.19 million, Baht 8.14 million, and Baht 8.01 million in 2009/2010, 2010/2011, and 2011/2012 which equaled to 1.75%, 1.57%, and 1.10% of total revenues.

Net incomes for the accounting period 2009/2010, 2010/2011, and 2011/2012 were Baht 64.51 million, Baht 80.39 million, and Baht 139.60 million accounted for 13.76%, 15.55%, and 19.06% of total revenues.

### Revenues

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

1. Revenues from manufacturing and sales of Metal Structures, Storage Systems and Material Handling Equipment, and Other Metal Products made up the highest portion of total revenues compared to revenues from other categories, which equaled to 48.70%, 55.79%, and 69.29% of total revenues in 2009/2010, 2010/2011, and 2011/2012.

2. Revenues from manufacturing and sales of Semi products and rendering of World Class Steel Services accounted for 44.26%, 42.57%, and 30.00% of total revenues in 2009/2010, 2010/2011, and 2011/2012.

3. Revenues from sales of Industrial Materials equaled to 6.12%, less than 0.01%, and 0.02% of total



# MANAGEMENT DISCUSSION AND ANALYSIS

revenues in 2009/2010, 2010/2011, and 2011/2012.

Almost all revenues from these 3 activities derived from domestic sales. The export revenues were originated from sales of Metal Structures, Storage Systems and Material Handling Equipment, and Other Metal Products. Export revenues were relatively low compared to revenues from products sold domestically. Export revenues were Baht 15.94 million, Baht 12.81 million, and Baht 0.43 million or equaled to 3.40%, 2.48%, and 0.06% of total revenues in 2009/2010, 2010/2011, and 2011/2012, respectively.

In 2009/2010, domestic economy was in recession, expansion of industrial sector and demand for capital goods such as Metal Structures and Storage Systems and Material Handling Equipment had diminished therefore proportion of the Group's revenues from this category had lessened compared to those in the previous year. However, during 2010/2011, the economy had recovered and industrial sector had started to expand, the Group had manufactured and sold more of its Metal Structures and Storage Systems and Material Handling Equipments, which brought up the proportion of revenues from this category. Furthermore, in the year 2011/2012, after the flooding incident, the government sector had rebuilt the affected areas and issued several policies to stimulate economy and investment. The private sectors who affected from flood had started to restore and renovate their production facilities and warehouses, and invested in Metal Structures to store their products. Thus, the demands for the Group's products had risen. The private sectors especially the automotive industry were not only investing in mending and fixing assets used in production but also boosting capacities to compensate for the shortages during the flooding. In addition, the government's policies that support the automotive industry such as tax benefits for people who purchase their first car or expansion of production capacities and exports, also resulted in an increase in the demands for the Group's Storage Systems and Material Handling Equipment products.

As a result, the Group's revenues from Metal Structures, Storage Systems and Material Handling Equipments, and Other Metal Products increased by Baht 216.21 million from Baht 288.38 million in 2010/2011 to Baht 504.59 million in 2011/2012 or equal to 74.97%

Although, in the year 2011/2012, the proportion of revenues from manufacturing and sales of Semi products and rendering of World Class Steel Services declined, the revenue amounts were still in the same range as in the year 2010/2011. In the year 2010/2011, the Group's revenue from semi products and steel services were Baht 220.07 million whereas in the year 2011/2012 were Baht 218.46 million.

## Cost of Sales and Services and Gross Profit

The Group's cost of sales and services comprised of cost of raw materials and supplies, cost of merchandised products, labor cost, and overheads which included depreciation of plants, machines, tools, and equipments used in production. For the year 2011/2012, cost of sales and services increased by 40.33% from Baht 380.82 million in 2010/2011 to Baht 534.39 million. A rise in cost of sales and services was correlated with an increase in operating revenues. However, the proportion of cost of sales and services to revenues from operation for the year 2011/2012 was 73.39% which was resemble to the proportion of 73.67% in the year 2010/2011, and corresponded with the Group's cost of production structure.

As a result of economic expansion after the flooding crisis together with the government economic stimulation packages, the Group's sales and services revenues had improved, which consequently increased the Group's gross profits. In the year 2011/2012, the Group's gross profits were Baht 188.78 million increased from the year 2010/2011 that generated the gross profits of Baht 127.63 million by Baht 61.15 million or equal to a rise of 47.91%. The minimum wages policy of Baht 300 did not have significant impacts to the Group. The Group could still maintain the gross profit margins to be at the same level as in

the year 2010/2011. In the year 2011/2012 the Group's gross profit margins were 26.10% slightly increased from 25.10% in the year 2010/2011.

## **Selling and Administrative Expenses and Finance cost**

For the period 2011/2012 the Group's selling expenses were Baht 9.46 million, decreased by 15.23% or Baht 1.70 million from Baht 11.16 million in 2010/2011 and the Group's selling expenses as a proportion of total revenues also decreased from 2.16% in the year 2010/2011 to 1.30% in the year 2011/2012. In the year 2011/2012, the administrative expenses were Baht 34.69 million, increased by 2.48% or Baht 0.84 million from Baht 33.85 million in 2010/2011 whereas proportion of administrative expenses to total revenues decreased from 6.55% in 2010/2011 to 4.76% in 2011/2012. Whilst, director and management remuneration for the year 2011/2012 were Baht 8.01 million, which closed to Baht 8.14 million in the year 2010/2011

A decrease in selling expenses were primarily resulted from a decrease in transportation expenses which related to the cost of delivering products to international customers. During the year 2011/2012, the Group emphasized in manufacturing products to supplies for the expanding domestic demands, the Group's export revenues were massively declined, resulted in a drop in transportation expenses, accordingly. The administrative expenses were slightly increased due to an expansion in the subsidiary's operating activities as well as a rise in fixed costs which include depreciation on buildings, depreciation on vehicles used in business, and the costs of personnel, etc. Though the administrative expenses slightly increased, the proportion on total revenues decreased, which mean that the Group's operation were more efficient. For finance cost, during past years, since the Group utilized funds from shareholder's equity and retained earnings from operation to finance daily business activities and invest in expansion of production capacities, the Group did not have short-term or long-term loans from financial institutions and other sources of funds. So the Group

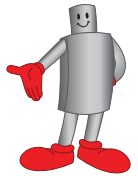
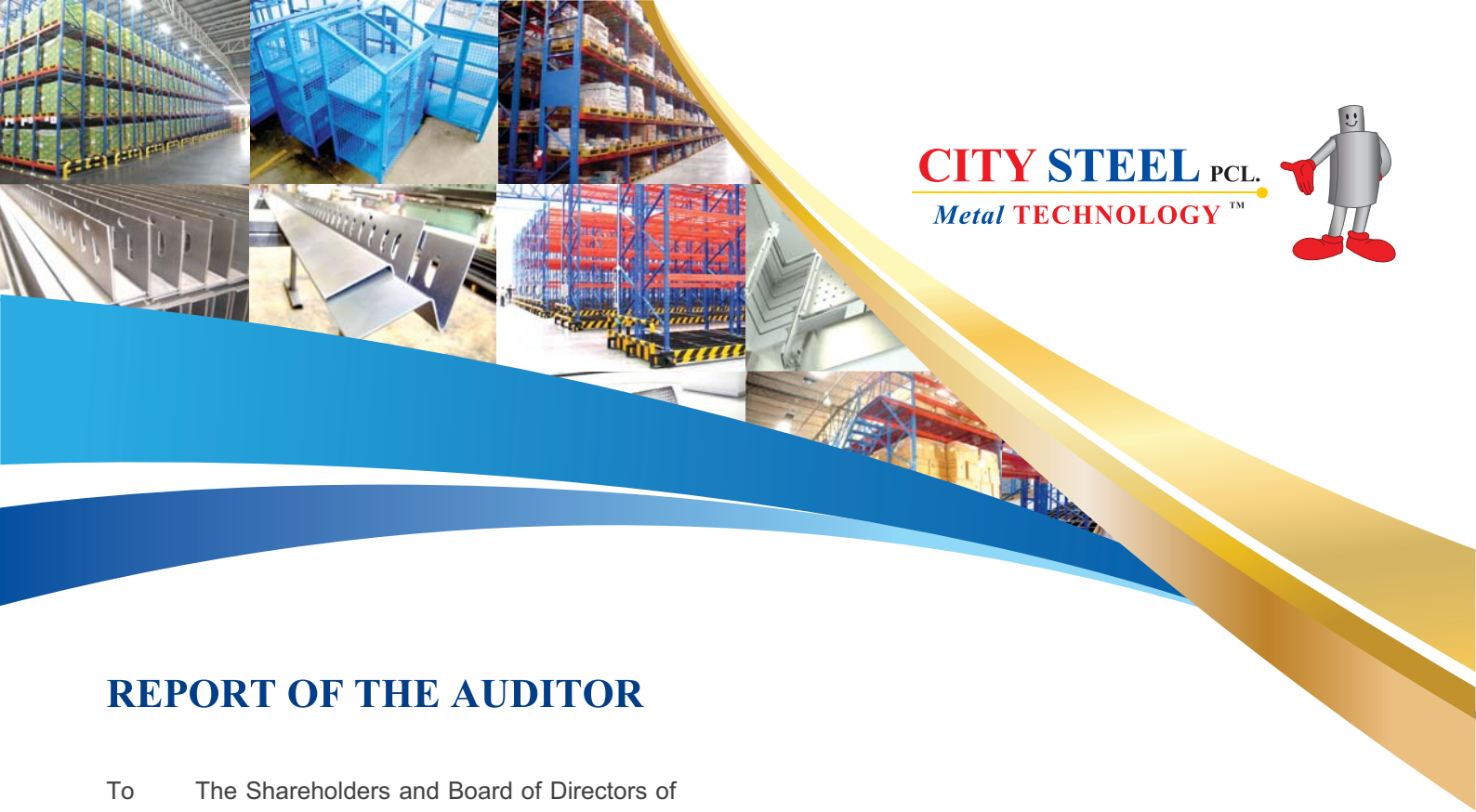
did not incur any finance cost. However, in the year 2011/2012, the Group incurred a finance cost which related to discounted interests on the obligations of employee benefits plan amounted to Baht 0.03 million, which was due to the adoption of Thai Accounting Standard 19 (TAS19), Employee Benefits. The TAS19 requires the Group to determine and record the obligation of employee benefits and the finance cost related to those benefits.

## **Net Profit**

For the period 2009/2010, 2010/2011, and 2011/2012 the Group's net profits were Baht 64.51 million, Baht 80.39 million, and Baht 138.75 million, with net profit margins of 13.76%, 15.55%, and 19.05% respectively. The Group's net profits increased by 24.61% in 2010/2011, and by 72.60% in 2011/2012. The increase in net profits in the year 2010/2011 and 2011/2012 caused by a recovery of economic conditions and economic stimulation policies of the government that encourage investments and demands for capital goods including Metal Structures, Storage Systems, and Material Handling Equipment. All of these factors contributed to increases in operating revenues and net profits of the Group both in the year 2010/2011 and 2011/2012.

## **Auditor Remuneration**

During the year 2011/2012, the Company and its subsidiaries paid auditing fees to Dharmniti Auditing Company Limited at the amount of Baht 1,170,000.



## REPORT OF THE AUDITOR

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

I have audited the consolidated statement of financial position of City Steel Public Company Limited and its subsidiaries as at July 31, 2012 and 2011, the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the years then ended and the statement of financial position of City Steel Public Company Limited as at July 31, 2012 and 2011, the related statements of comprehensive income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management as to their correctness and completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits.

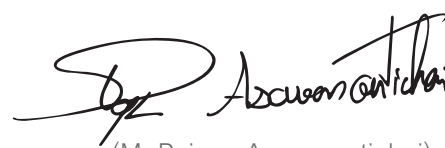
I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting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

In my opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of City Steel Public Company Limited and its subsidiaries as at July 31, 2012 and 2011, the consolidated results of their operations, the consolidated changes in their shareholders' equity and their consolidated cash flows for the years then ended and the financial position of City Steel Public Company Limited as at July 31, 2012 and 2011, the results of its operations, the changes in its shareholders' equity and its cash flows for the years then ended in conformity with generally accepted accounting principles.

\*\*\*\*\*/2



As explained in the Note 4.2 to the financial statement, for the year ended July 31, 2012, the Company and its subsidiary have adopted new and revised Thai Financial Reporting Standard announced by the Federation of Accounting Professions (FAP) which they are effective for using in the period beginning on or after January 1, 2011 for the preparation and presentation of these financial statements. Accordingly, the comparative consolidated and separate financial statement for the year ended July 31, 2011 and the consolidated and separate statements of financial position as at July 31, 2011 have been newly presented in accordance with the consolidated and separate financial statements for the year ended July 31, 2012.



(Mr. Pojana Asavasontichai)

Certified Public Accountant No. 4891

Dharmniti Auditing Company Limited

Bangkok, Thailand

September 27, 2012

2012/928/0936

# THE STATEMENTS OF FINANCIAL POSITION

## CITY STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

### THE STATEMENTS OF FINANCIAL POSITION

#### ASSETS

(Unit : Baht)

	Note	Consolidated financial statements		Separate financial statements	
		As at July 31, 2012	As at July 31, 2011	As at July 31, 2012	As at July 31, 2011
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	9	250,992,799	212,589,549	7,591,291	23,950,236
Investments in available-for-sale securities	10	80,523,369	-	-	-
Trade accounts receivable	11				
Related parties	8	-	-	3,095,585	5,906,400
Other parties		100,982,676	90,251,892	8,359,648	1,847,394
Current portion of trade accounts receivable					
under installment plan	12	-	24,364,979	-	-
Inventories	13	25,829,140	54,466,362	823,836	2,454,508
Other current assets					
Input tax refundable		4,540,412	13,421,291	-	-
Others		302,130	1,724,765	107,161	161,504
<b>TOTAL CURRENT ASSETS</b>		<b>463,170,526</b>	<b>396,818,838</b>	<b>19,977,521</b>	<b>34,320,042</b>
<b>NON-CURRENT ASSETS</b>					
Trade accounts receivables under installment					
plan net of current portion	12	-	-	-	-
Restricted deposits at financial institutions	14	2,376,252	2,342,890	1,784,942	1,754,780
Investments in subsidiaries accounted for					
under cost method	15	-	-	623,869,860	623,869,860
Property, plant and equipment	16	569,024,039	520,332,223	4,204,413	10,088,648
Intangible assets	17	439,473	938,784	242,193	498,565
Investment property	18	18,100,000	18,100,000	-	-
Other non-current asset		200,500	200,500	-	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>590,140,264</b>	<b>541,914,397</b>	<b>630,101,408</b>	<b>636,211,853</b>
<b>TOTAL ASSETS</b>		<b>1,053,310,790</b>	<b>938,733,235</b>	<b>650,078,929</b>	<b>670,531,895</b>

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

# THE STATEMENTS OF FINANCIAL POSITION

## CITY STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES THE STATEMENTS OF FINANCIAL POSITION (CONT.)

### LIABILITIES AND SHAREHOLDERS' EQUITY

(Unit : Baht)

	Note	Consolidated financial statements		Separate financial statements	
		As at July 31, 2012	As at July 31, 2011	As at July 31, 2012	As at July 31, 2011
<b>CURRENT LIABILITIES</b>					
Trade accounts payable					
Related parties	8	139,100	126,528	9,093,135	454,210
Other parties		35,390,020	29,825,567	72,685	390,305
Accounts payable due to purchases of assets		781,689	1,899,012	-	-
Other current liabilities					
Advance received for goods		1,794,612	795,693	-	9,346
Corporate income tax payable		707,124	833,341	82,241	228,111
Others		2,935,859	3,388,951	890,044	1,278,145
<b>TOTAL CURRENT LIABILITIES</b>		<b>41,748,404</b>	<b>36,869,092</b>	<b>10,138,105</b>	<b>2,360,117</b>
<b>NON-CURRENT LIABILITIES</b>					
Employee benefit obligations	19	705,927	-	267,296	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>705,927</b>	<b>-</b>	<b>267,296</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>42,454,331</b>	<b>36,869,092</b>	<b>10,405,401</b>	<b>2,360,117</b>

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

# THE STATEMENTS OF FINANCIAL POSITION

## CITY STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES THE STATEMENTS OF FINANCIAL POSITION (CONT.)

### LIABILITIES AND SHAREHOLDERS' EQUITY (CONT.)

(Unit : Baht)

	Note	Consolidated financial statements		Separate financial statements	
		As at July 31, 2012	As at July 31, 2011	As at July 31, 2012	As at July 31, 2011
SHAREHOLDERS' EQUITY					
Share capital					
Registered					
300,000,000 ordinary shares of Baht 1 each		300,000,000	300,000,000	300,000,000	300,000,000
Issued and paid-up					
300,000,000 ordinary shares of Baht 1 each		300,000,000	300,000,000	300,000,000	300,000,000
Share premium		166,145,195	166,145,195	166,145,195	166,145,195
Difference on reorganization of entities					
under common control 3.2		(15,380,000)	(15,380,000)	-	-
Retained earnings					
Appropriated-statutory reserve		30,000,000	30,000,000	30,000,000	30,000,000
Unappropriated		529,235,650	421,098,948	143,528,333	172,026,583
Other components of equity 10		855,614	-	-	-
Equity attributable to the equity of parent		1,010,856,459	901,864,143	639,673,528	668,171,778
Non-controlling interests		-	-	-	-
TOTAL SHAREHOLDERS' EQUITY		1,010,856,459	901,864,143	639,673,528	668,171,778
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,053,310,790	938,733,235	650,078,929	670,531,895

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



# THE STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED JULY 31, 2012 AND 2011

CITY STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

THE STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED JULY 31, 2012 AND 2011

(Unit : Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
<b>REVENUES</b>					
Sales		709,748,780	486,355,838	27,382,306	133,469,807
Service income		13,417,874	22,094,435	1,419,631	17,460,369
Management fee		-	-	10,747,200	5,520,000
Dividend income		-	500,000	-	112,609,962
Other income		5,023,846	7,991,279	13,528,819	1,053,283
<b>Total revenues</b>		<b>728,190,500</b>	<b>516,941,552</b>	<b>53,077,956</b>	<b>270,113,691</b>
<b>EXPENSES</b>					
Cost of sales and services		534,394,127	380,821,174	26,363,560	130,290,953
Selling expenses		9,459,096	11,162,286	637,583	4,474,251
Administrative expenses		34,685,116	33,847,980	15,480,209	10,926,132
Management benefit expenses		8,014,199	8,142,198	8,014,199	8,142,198
Finance cost		24,858	-	9,451	-
<b>Total expenses</b>		<b>586,577,396</b>	<b>433,973,638</b>	<b>50,505,002</b>	<b>153,833,534</b>
<b>Profit (loss) before corporate income tax</b>		<b>141,613,104</b>	<b>82,967,914</b>	<b>2,572,954</b>	<b>116,280,157</b>
Corporate income tax	24	(2,865,639)	(2,575,115)	(838,982)	(947,408)
<b>Net profit (loss) for the year</b>		<b>138,747,465</b>	<b>80,392,799</b>	<b>1,733,972</b>	<b>115,332,749</b>
<b>Other comprehensive income</b>					
Unrealized gain (loss) on change in value of					
investments in available-for-sale securities		855,614	5,952,618	-	(112,330)
<b>Other comprehensive income for the year</b>		<b>855,614</b>	<b>5,952,618</b>	<b>-</b>	<b>(112,330)</b>
<b>Comprehensive income (loss) for the year</b>		<b>139,603,079</b>	<b>86,345,417</b>	<b>1,733,972</b>	<b>115,220,419</b>
<b>Profit attributable to</b>					
Equity holder of parent (99.99%)		138,747,465	80,392,799	1,733,972	115,332,749
Non-controlling interests (0.01%)		-	-	-	-
		<b>138,747,465</b>	<b>80,392,799</b>	<b>1,733,972</b>	<b>115,332,749</b>

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

# THE STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED JULY 31, 2012 AND 2011

## CITY STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES THE STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED JULY 31, 2012 AND 2011

(Unit : Baht)

Note	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
<b>Comprehensive income attributable to</b>				
Equity holder of parent (99.99%)	139,603,079	86,345,417	1,733,972	115,220,419
Nom-controlling interests (0.01%)	-	-	-	-
	<b>139,603,079</b>	<b>86,345,417</b>	<b>1,733,972</b>	<b>115,220,419</b>
<b>Earnings per share</b>				
Basic earnings per share	0.46	0.27	0.01	0.38
Weighted average number of ordinary share (Share)	300,000,000	300,000,000	300,000,000	300,000,000

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

# STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

## CITY STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

### STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED JULY 31, 2012 AND 2011

(Unit : Baht)

#### Consolidated financial statements

Equity attributable to the equity holders of parent										Non-controlling interests	Total
Note	Issued and paid-up share capital	Share premium	Difference on reorganization of entities under common control		Retained earnings		Unrealized gain on change in value of investments in available-for-sale securities		Total		
					Appropriated-statutory reserve	Unappropriated					
Beginning balance, as at August 1, 2010	300,000,000	166,145,195	(15,380,000)		28,884,000	365,822,149	(5,952,618)		839,518,726	-	839,518,726
Change in shareholders' equity for the year											
Statutory reserve	-	-	-		1,116,000	(1,116,000)	-		-	-	-
Dividend paid	-	-	-		-	(24,000,000)	-		(24,000,000)	-	(24,000,000)
Net profit for the year	-	-	-		-	80,392,799	-		80,392,799	-	80,392,799
Other components of equity :											
Available-for-sale securities											
- Profit transfer from sale	-	-	-		-	-	5,952,618		5,952,618	-	5,952,618
Ending balance, as at July 31, 2011	300,000,000	166,145,195	(15,380,000)		30,000,000	421,098,948	-		901,864,143	-	901,864,143
The effect of change in accounting policies	-	-	-		-	(610,763)	-		(610,763)	-	(610,763)
Beginning balance after adjustment	300,000,000	166,145,195	(15,380,000)		30,000,000	420,488,185	-		901,253,380	-	901,253,380
Change in shareholders' equity for the year											
Dividend paid	-	-	-		-	(30,000,000)	-		(30,000,000)	-	(30,000,000)
Net profit for the year	-	-	-		-	138,747,465	-		138,747,465	-	138,747,465
Other components of equity :											
Available-for-sale securities											
- Profit (loss) recognized directly in equity	-	-	-		-	-	855,614		855,614	-	855,614
Ending balance, as at July 31, 2012	300,000,000	166,145,195	(15,380,000)		30,000,000	529,235,650	855,614		1,010,856,459	-	1,010,856,459

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

# STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

## CITY STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

### STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED JULY 31, 2012 AND 2011

(Unit : Baht)

#### Separate financial statements

	Note	Issued and paid-up share capital	Share premium	Retained earnings		Unrealized gain on change in value of investments in available-for- sale securities	Total
				Appropriated- statutory reserve	Unappropriated		
<b>Beginning balance, as at August 1, 2010</b>		300,000,000	166,145,195	28,884,000	81,809,834	112,330	576,951,359
<b>Change in shareholders' equity for the year</b>							
Statutory reserve		-	-	1,116,000	(1,116,000)	-	-
Dividend paid	21	-	-	-	(24,000,000)	-	(24,000,000)
Net profit for the year		-	-	-	115,332,749	-	115,332,749
Other components of equity :							
Available-for-sale securities							
- Profit transfer from sale		-	-	-	-	(112,330)	(112,330)
<b>Ending balance, as at July 31, 2011</b>		300,000,000	166,145,195	30,000,000	172,026,583	-	668,171,778
The effect of change in accounting policies	5.1	-	-	-	(232,222)	-	(232,222)
<b>Beginning balance after adjustment</b>		300,000,000	166,145,195	30,000,000	171,794,361	-	667,939,556
<b>Change in shareholders' equity for the year</b>							
Dividend paid	21	-	-	-	(30,000,000)	-	(30,000,000)
Net profit for the year		-	-	-	1,733,972	-	1,733,972
<b>Ending balance, as at July 31, 2012</b>		300,000,000	166,145,195	30,000,000	143,528,333	-	639,673,528

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



# STATEMENTS OF CASH FLOWS

## CITY STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JULY 31, 2012 AND 2011

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
<b>Cash flows from operating activities</b>				
Profit before corporate income tax	141,613,104	82,967,914	2,572,954	116,280,157
Adjustments to reconcile to net cash				
provided by (used in) operating activities :-				
Depreciation and amortization	51,369,913	41,189,172	1,881,443	6,031,758
Gain on sales of investments in available-for-sale securities	(72,919)	(3,077,548)	-	(133,956)
Loss on unclaimed withholding tax	120,046	-	-	-
(Gain) loss on sales of fixed assets	(49,999)	641,033	(4,217,145)	490,354
Employee benefit obligations	95,164	-	35,074	-
Dividend income from investments in subsidiaries	-	-	-	(112,609,962)
Income from interest discounted from sale under				
installment plan	(91,369)	(1,361,856)	-	-
Income from investment	(4,368,749)	(3,757,691)	(297,020)	(712,691)
Profit from operating activities before changes in operating				
assets and liabilities	188,615,191	116,601,024	(24,694)	9,345,660
(Increase) decrease in operating assets				
Trade accounts receivable	13,725,563	(26,593,955)	(3,701,439)	33,241,955
Cash received from sale under installment plan	-	11,181,783	-	-
Inventories	28,637,222	36,570,717	1,630,672	20,246,415
Other current assets	10,190,019	(9,368,743)	54,343	5,000
Other non-current assets	-	64,510	-	64,510
Increase (decrease) in operating liabilities				
Trade accounts payable	5,577,025	13,088,441	8,321,305	(13,584,640)
Other current liabilities	(1,302,075)	361,483	(397,447)	(114,636)
Cash received from (used in) operating activities before				
corporate income taxes	245,442,945	141,905,260	5,882,740	49,204,264
Corporate income taxes paid	(2,998,406)	(2,664,633)	(984,852)	(1,641,220)
Net cash flows provided by (used in) operating activities	242,444,539	139,240,627	4,897,888	47,563,044

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

# STATEMENTS OF CASH FLOWS

## CITY STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES STATEMENTS OF CASH FLOWS (CONT.) FOR THE YEARS ENDED JULY 31, 2012 AND 2011

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
<b>Cash flows from investing activities</b>				
Increase in deposits restricted at financial institutions	(33,362)	(14,193)	(30,162)	(12,971)
Cash paid for additional investments in subsidiaries	-	-	-	(216,350,000)
Proceeds from sales of fixed asset	50,000	1,726,635	8,476,309	39,744,626
Proceeds from sales of investments in available-for-sale securities	49,405,165	60,449,719	-	24,438,619
Cash paid for investment in available-for-sale securities	(129,000,000)	(7,500,000)	-	(7,500,000)
Interest received	4,368,749	3,257,691	297,020	712,691
Dividend received	-	500,000	-	112,609,962
Cash paid for purchases of fixed assets	(98,831,841)	(216,663,902)	-	(320,103)
Decrease (increase) in intangible assets	-	(67,500)	-	-
Net cash flows provided by (used in) investing activities	(174,041,289)	(158,311,550)	8,743,167	(46,677,176)
<b>Cash flows from financing activities</b>				
Dividend paid	(30,000,000)	(24,000,000)	(30,000,000)	(24,000,000)
Net cash flows provided by (used in) financing activities	(30,000,000)	(24,000,000)	(30,000,000)	(24,000,000)
Net increase (decrease) in cash and cash equivalents	38,403,250	(43,070,923)	(16,358,945)	(23,114,132)
Cash and cash equivalents at beginning of the years	212,589,549	255,660,472	23,950,236	47,064,368
<b>Cash and cash equivalents at end of the years</b>	<b>250,992,799</b>	<b>212,589,549</b>	<b>7,591,291</b>	<b>23,950,236</b>
<b>Supplemental cash flows information :-</b>				
1. Cash and cash equivalents consisted of :-				
Cash on hand	578,394	680,394	89,555	115,079
Cash at bank - Saving account	200,301,715	94,796,596	7,432,159	11,765,957
- current account	102,390	102,436	59,277	59,077
- Fixed deposit 3 months	10,300	10,123	10,300	10,123
Short-term investment-bill of exchange (less than 3 month)	50,000,000	117,000,000	-	12,000,000
	<b>250,992,799</b>	<b>212,589,549</b>	<b>7,591,291</b>	<b>23,950,236</b>
2. Non cash equivalents consisted of :-				
In this period, the Company has acquired fixed assets on credit	730,578	-	-	-

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

# NOTES TO FINANCIAL STATEMENTS

## CITY STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

### NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JULY 31, 2012 AND 2011

#### 1. GENERAL INFORMATION

(a) Legal status and address

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

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

(b) Nature of the Company' s business

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

(c) Major shareholder Name

Its major shareholder is WKP Asset Plus Company Limited.

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

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

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

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

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

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

Company's name	Nature of business	Percentage of shareholding		Assets as a percentage to the consolidated total assets as at		Revenues as a percentage to the consolidated total revenues for the period ended	
		Jul. 31 2012	Jul. 31 2011	Jul. 31 2012	Jul. 31 2011	Jul. 31 2012	Jul. 31 2011
Siam ISO Pro Co., Ltd	Sale of metal products and industrial materials and equipments	99.99	99.99	15.36	16.90	2.16	3.29
Mark Worldwide Co., Ltd	Maunfacture and sale of metal products	99.99	99.99	36.63	42.81	30.53	30.90
City Steel Products Co., Ltd	Maunfacture and sale of metal products	99.99	99.99	45.82	35.95	63.51	43.16

# NOTES TO FINANCIAL STATEMENTS

- 3.1 Material balances and transactions between the Company and its subsidiaries have been eliminated from the consolidated financial statements.
- 3.2 The excess of the acquisition cost of the investment in subsidiary under common control over the fair value of the subsidiary's net assets as at the acquisition date is shown as a separate item in shareholders' equity under the caption "Difference on reorganization of entities under common control" in the consolidated financial statements and the Company's financial statements.

## 4. ADOPTION OF NEW ACCOUNTING STANDARDS

- 4.1 New accounting standards and financial reporting standards that becomes effective this year

During the years 2010 and 2011, the Federation of Accounting Professions (FAP) has issued Notifications to mandate the use of the revised 2009 and the newly issued accounting and financial reporting standards, as well as the interpretations of accounting and financial reporting standards which are effective for the fiscal year beginning on or after January 1, 2011. The revised and newly issued standards are as follows:

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

TAS 1 (revised 2009) Presentation of Financial Statements

TAS 2 (revised 2009) Inventories

TAS 7 (revised 2009) Statement of Cash Flows

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

TAS 10 (revised 2009) Events after the Reporting Period

TAS 11 (revised 2009) Construction Contracts

TAS 16 (revised 2009) Property, Plant and Equipment

TAS 17 (revised 2009) Leases

TAS 18 (revised 2009) Revenue

TAS 19 Employee Benefits

TAS 23 (revised 2009) Borrowing Costs

TAS 24 (revised 2009) Related Party Disclosures

TAS 26 Accounting and Reporting by Retirement Benefit Plans

TAS 27 (revised 2009) Consolidated and Separate Financial Statements

TAS 28 (revised 2009) Investments in Associates

TAS 29 Financial Reporting in Hyperinflationary Economies

TAS 31 (revised 2009) Interests in Joint Ventures

TAS 33 (revised 2009) Earnings per Share

TAS 34 (revised 2009) Interim Financial Reporting





TAS 36 (revised 2009) Impairment of Asset  
TAS 37 (revised 2009) Provisions, Contingent Liabilities and Contingent Assets  
TAS 38 (revised 2009) Intangible Assets  
TAS 40 (revised 2009) Investment Property  
TFRS 2 Share-based Payment  
TFRS 3 (revised 2009) Business Combinations  
TFRS 5 (revised 2009) Non-current Assets Held for sale and Discontinued Operations  
TFRS 6 Exploration for and Evaluation of Mineral Resources  
TFRIC 15 Agreements for the Construction of Real Estate  
TSIC 31 Revenue-Barter Transactions Involving Advertising Services

The management of the Company has assessed the effect of these accounting standards and financial reporting standards and believes that they will not have any significant impact on this year financial statements. However, for TAS 1 (revised 2009) Presentation of Financial Statements, TAS 16 (revised 2009) Property, Plant and Equipment, and TAS 19 Employee Benefits which the Company has adopted this year has resulted in the changes in the Company's accounting policies as disclosed in Note 4.2. These changes of accounting spolicies are prospective adjustment and mostly affect the presentation of financial statements in new format, except for the Employee Benefits standard which the company has chosen to record the entire amounts of retirement benefits obligation in the beginning balance of retained earnings.

## 4.2 Changes in accounting policies

From August 1, 2011, consequent to the adoption of new and revised TFRS as set out in note 4.1, the Company has changed its accounting policies as follows:

### TAS 1 (revised 2009) Presentation of Financial Statements

Under the revised TAS, a set of financial statements comprises:

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



# NOTES TO FINANCIAL STATEMENTS

## TAS 16 (revised 2009) Property, Plant and Equipment

Under the revised TAS, there are the principal changes and affecting the Company as follows:

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

The changes have been applied prospectively in accordance with the transitional provisions of the revised TAS.

## TAS 19 Employee Benefits

Under the new policy, the Company has the obligations in respect of the severance payments to employees upon retirement under the Company's article and labor law. The Company treats this severance payment obligation as a defined benefit plan. Previously, this obligation was recognized as occurred. The obligation under the defined benefit plan is determined by the management of the Company, using the projected unit credit method. Such determination is made based on various assumptions, including discount rates, future salary increase rates, staff turnover rates, mortality rates and inflation rates.

The Company has opted to record the entire amount of this liability as an adjustment to retained earning as at August 1, 2011, in accordance with the transitional provisions of TAS 19.

## 5. EFFECT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW ACCOUNTING STANDARDS

From August 1, 2011, the Company and its subsidiaries have adopted the new and revised TFRS, which affected the financial statements as follows:

### 5.1 Employee Benefits

Adjustment of financial statements

Statements of financial position as at July 31, 2012

(Unit : Baht)

	Consolidated financial statements	Separate financial statements
Retained earnings at July 31, 2011-as previously reported	421,098,948	172,026,583
Increase in employee benefit obligations	(610,763)	(232,222)
<b>Retained earnings at August 1, 2011</b>	<b>420,488,185</b>	<b>171,794,361</b>

# NOTES TO FINANCIAL STATEMENTS

## Statements of comprehensive income for the year ended July 31, 2012

(Unit : Baht)

	For the year ended July 31, 2012	
	Consolidate financial statements	Separate financial statements
Increase in employee benefits resulted in:		
Increase in cost of sales and services	14,426	-
Increase in administrative expenses	33,337	3,080
Increase in management benefit expenses	22,543	22,543
Total	70,306	25,623
Increase in finance cost	24,858	9,451
Decrease in comprehensive income for the year	95,164	35,074
Decrease in earnings per share;		
Decrease in basic earnings per share (Baht)	0.00	0.00

### 5.2 Property, plant and equipment

Impact of the adoption of new accounting policies by applying prospective approach on the financial statements.

The Company has adopted prospective and retrospective approaches for TAS 16 (revised 2009) "Property, Plant and Equipment", regarding the estimation of the residual value and the demolition provisions, respectively. The effects of the changes on the consolidated and separate statements of comprehensive income for the year ended July 31, 2012 are as follows. However, these adjustment transactions have no impact on taxes.

#### Estimate of the residual value and useful life by prospective recognition

The statement of comprehensive income for the year ended July 31, 2012

(Unit : Baht)

	For the year ended July 31, 2011	
	Consolidated financial statements	Separate financial statements
Increase (decrease) in depreciation	(278,049)	143,524
Increase (decrease) in total comprehensive income for the year	278,049	(143,524)
Increase (decrease) in basic earnings per share (Baht)	0.00	(0.00)



# NOTES TO FINANCIAL STATEMENTS

## 6. ISSUE OF NEW INTERPRETATION OF ACCOUNTING STANDARDS DURING THE YEAR

During the year 2011, the Federation of Accounting Professions (FAP) has issued Notifications to mandate the use of the new interpretations of accounting standards of which will be effective for the reporting period beginning on or after January 1, 2013 onwards, as follows:

TSIC 10 Government Assistance - No Specific Relation to Operating Activities

SIC 21 Income Taxes - Recovery of Revalued Non - Depreciable Assets

TSIC 25 Income Taxes - Changes in the Tax Status of an Entity or its Shareholders

The management of the Company has assessed the effect of these new interpretations of accounting standards and believed that they will not have any significant impact on the financial statements for the year in which they are initially applied.

## 7. SIGNIFICANT ACCOUNTING POLICIES

### 7.1 Recognition of revenues and expenditures

Sales of goods

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

Service revenue

Service revenue is recognized when services have been rendered.

Dividends

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

Other incomes

Other incomes are recognized on an accrual basis.

Expenditures are recognized on an accrual basis.

### 7.2 Cash and cash equivalents

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





## 7.3 Trade accounts receivable

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

## 7.4 Inventories

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

Finished goods : First in - First out

Work in process : First in - First out

Raw materials and supplies : First in - First out

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

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

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

## 7.5 Investments

### Investments in subsidiaries

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

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

### Investments in debt securities and marketable equity securities

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

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

# NOTES TO FINANCIAL STATEMENTS

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

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

## 7.6 Property, plant and equipment and Depreciation

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

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

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

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

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

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

Depreciation is included in determining income.

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

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

## 7.7 Intangible assets and Amortization

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

Software license	3 - 5	years
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## 7.8 Investment property

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

Since August 1, 2011, the Company has applied TAS 40 (revised 2009) Investment Property by reclassifying investment property recorded as part of property, plant and equipment to be determined separately under "Investment property" in accordance with the provisions of the revised standard.

## 7.9 Related party transactions

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

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


## 7.10 Foreign currencies

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

Gains and losses on exchange are included in determining income.

## 7.11 Impairment of assets

As at the statement of financial position date, the Company assesses whether there is an indication of asset impairment. If any such indication exists, the Company will make an estimate of the asset's recoverable amount. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized in the statement of comprehensive income. In addition, impairment loss is reversed if there is a subsequent increase in the recoverable amount. The reversal shall not exceed the carrying value that would have been determined net of accumulated depreciation or amortization. The recoverable amount of the asset is the asset's value in use or fair value less costs to sell.



## 7.12 Employee benefits

### Short-term employment benefits

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

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

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

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

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

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

Actuarial gains and losses for post-employment benefits of the employees are recognized immediately to profit or loss in statement of comprehensive income.

The Company has opted to record the entire amount of this liability as an adjustment to retained earnings as at August 1, 2011, in accordance with the transitional provisions of TAS 19

## 7.13 Corporate income tax

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

## 7.14 Use of accounting estimates

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

### Allowances for doubtful accounts

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





# NOTES TO FINANCIAL STATEMENTS

Allowances for inventory deterioration and negative net realizable value of inventory

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

Property, plant and equipment, and intangible assets

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

## 7.15 Earnings per share

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

## 8. RELATED PARTY TRANSACTIONS

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

(Unit : Million Baht)

	For the year ended July 31				
	Consolidated financial statements		Separate financial statements		Pricing Policies
	2012	2011	2012	2011	
Transactions with related companies					
Electricity expenses	1.41	1.12	-	1.00	Cost and cost plus margin
Rental expenses	0.63	0.63	0.03	0.13	Based on contract
Purchases of construction materials	-	10.50	-	-	Cost plus margin
Transactions with subsidiaries					
(eliminated from consolidated financial statements)					
Sales of finished goods and raw materials	-	-	1.53	30.72	Cost plus margin and Cost
Rental income	-	-	-	0.00	Based on contract
Service income	-	-	17.83	9.34	Cost plus margin
Electricity income	-	-	1.41	-	Cost plus margin
Gasoline income	-	-	0.51	-	Cost plus margin
Purchases of finished goods and raw materials	-	-	21.56	10.13	Cost plus margin and Cost
Service expenses	-	-	-	0.10	Cost
Electricity expenses	-	-	-	1.50	Cost
Gasoline expenses	-	-	-	0.25	Cost
Car rental expenses	-	-	0.08	0.31	Based on contract
Sales of fixed assets	-	-	8.43	38.02	Fair value and book value

# NOTES TO FINANCIAL STATEMENTS

The balances of the accounts as at July 31, 2012 and 2011 between the Company and those related companies are as follows:

(Unit : Baht)

		Consolidated financial statements		Separate financial statements	
	Relationship	As at July 31, 2012	As at July 31, 2011	As at July 31, 2012	As at July 31, 2011
<u>Trade accounts receivable-related parties</u>					
Siam ISO Pro co., Ltd.	Subsidiary	-	-	62,916	2,052,400
Mark Worldwide Co., Ltd.	Subsidiary	-	-	972,705	2,568,000
City Steel Products Co., Ltd	Subsidiary	-	-	2,059,964	1,284,000
<b>Total trade accounts receivable-related parties</b>		<b>-</b>	<b>-</b>	<b>3,095,585</b>	<b>5,906,400</b>
<u>Trade accounts payable-related parties</u>					
Siam ISO Pro Co., Ltd.	Subsidiary	-	-	-	27,820
Mark Worldwide Co., Ltd.	Subsidiary	-	-	69,058	12,519
City Steel Products Co., Ltd	Subsidiary	-	-	9,024,077	413,871
Siam C.T.P. Industy Co., Ltd.	Common shareholders	139,100	126,528	-	-
<b>Total trade accounts payable-related parties</b>		<b>139,100</b>	<b>126,528</b>	<b>9,093,135</b>	<b>454,210</b>

## 9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of:

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	As at July 31, 2012	As at July 31, 2011	As at July 31, 2012	As at July 31, 2011
Cash on hand and petty cash	578,394	680,394	89,555	115,079
Cash at banks - Savings account	200,301,715	94,796,596	7,432,159	11,765,957
- Current account	102,390	102,436	59,277	59,077
Fixed deposits 3 months	10,300	10,123	10,300	10,123
Short-term investment-bill of exchange (less than 3 month)	50,000,000	117,000,000	-	12,000,000
	<b>250,992,799</b>	<b>212,589,549</b>	<b>7,591,291</b>	<b>23,950,236</b>

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

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

This account consisted of:

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	As at July 31, 2012	As at July 31, 2011	As at July 31, 2012	As at July 31, 2011
Investments in available-for-sale securities - at cost				
- Open fund (cash management fund)	79,667,755	-	-	-
Total	79,667,755	-	-	-
Add : Unrealized gain (loss) on change in value of investments	855,614	-	-	-
<b>Investments in available-for-sale securities - fair value</b>	<b>80,523,369</b>	<b>-</b>	<b>-</b>	<b>-</b>

# NOTES TO FINANCIAL STATEMENTS

## 11. TRADE ACCOUNTS RECEIVABLE

The outstanding balances of trade accounts receivable as at July 31, 2012 and 2011, as classified by due dates, are as follows:

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	As at July 31, 2012	As at July 31, 2011	As at July 31, 2012	As at July 31, 2011
Age of receivables				
Undue	58,123,493	58,561,042	8,444,343	6,498,572
Less than 3 months overdue	42,859,183	31,446,770	3,010,890	1,255,222
Over 3 months to 6 months	-	244,080	-	-
<b>Net</b>	<b>100,982,676</b>	<b>90,251,862</b>	<b>11,455,233</b>	<b>7,753,794</b>

## 12. TRADE ACCOUNTS RECEIVABLE UNDER INSTALLMENT PLAN

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	As at July 31, 2012	As at July 31, 2011	As at July 31, 2012	As at July 31, 2011
Accounts Receivable	-	24,456,348	-	-
<u>Less</u> Allowance value	-	(91,369)	-	-
	-	24,364,979	-	-
<u>Less</u> Current portion of trade account receivable -				
under installment plan	-	(24,364,979)	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

## 13. INVENTORIES

This account consisted of:

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	As at July 31, 2012	As at July 31, 2011	As at July 31, 2012	As at July 31, 2011
Finished goods	686,045	589,810	-	-
Work in process	1,336,530	1,040,086	-	-
Raw materials	23,806,565	52,836,466	823,836	2,454,508
<b>Total</b>	<b>25,829,140</b>	<b>54,466,362</b>	<b>823,836</b>	<b>2,454,508</b>

## 14. RESTRICTED DEPOSITS AT FINANCIAL INSTITUTIONS

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

# NOTES TO FINANCIAL STATEMENTS

## 15. INVESTMENTS IN SUBSIDIARIES ACCOUNTED FOR UNDER COST METHOD

As at July 31, 2012 and 2011 investments in subsidiaries accounted for under cost method represent investments in ordinary shares in the following subsidiaries.

(Unit : Baht)

Company's name	Equity %	Paid-up share capital		At equity method		At cost method	
		As at July 31, 2012	As at July 31, 2011	As at July 31, 2012	As at July 31, 2011	As at July 31, 2012	As at July 31, 2011
Siam ISO Pro Co., Ltd.	99.99	112,000,000	112,000,000	156,749,181	154,840,111	111,999,940	111,999,940
Mark Worldwide Co., Ltd.	99.99	280,200,000	280,000,000	417,369,711	418,200,800	280,199,940	280,199,940
City Steel Products Co., Ltd.	99.99	247,050,000	247,050,000	457,765,820	321,699,340	247,049,980	247,049,980
Total investments in subsidiaries				1,031,884,712	894,740,251	639,249,860	639,249,860
Less : Allowance for impairment of investments in subsidiary				(15,380,000)	(15,380,000)	(15,380,000)	(15,380,000)
<b>Total investments in subsidiaries</b>				<b>1,016,504,712</b>	<b>879,360,251</b>	<b>623,869,860</b>	<b>623,869,860</b>

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

## 16. PROPERTY, PLANT AND EQUIPMENT

This account consisted of:

(Unit : Baht)

	Consolidated financial Statements				
	Balance As at July 31, 2011	Additions	Deduction	Transfers in (out)	Balance As at July 31, 2012
<u>At cost</u>					
Land	58,858,269	-	-	-	58,858,269
Building	121,331,040	-	-	74,927,710	196,258,750
Machinery and equipment	404,957,607	6,031,000	-	73,909,597	484,880,204
Vehicle	40,873,330	-	(70,000)	-	40,803,330
Furniture and office equipment	12,824,446	318,098	-	-	13,142,544
Work in progress	71,543,293	93,231,321	-	(148,837,307)	15,937,307
<b>Total</b>	<b>710,387,985</b>	<b>99,562,419</b>	<b>(70,000)</b>	<b>-</b>	<b>809,880,404</b>
<u>Less Accumulated depreciation :</u>					
Building	20,784,719	7,229,504	-	-	28,014,223
Machinery and equipment	125,557,648	41,614,516	-	-	167,172,164
Vehicle	35,781,243	741,259	(69,999)	-	36,452,503
Furniture and office equipment	7,932,152	1,285,323	-	-	9,217,475
<b>Total</b>	<b>190,055,762</b>	<b>50,870,602</b>	<b>(69,999)</b>	<b>-</b>	<b>240,856,365</b>
<b>Property, plant and equipment, net</b>	<b>520,332,223</b>				<b>569,024,039</b>



# NOTES TO FINANCIAL STATEMENTS

(Unit : Baht)

## Consolidated financial statements

	Balance As at July 31, 2010	Additions	Deduction	Transfers in (out)	Balance As at July 31, 2011
<u>At cost</u>					
Land	58,858,269	-	-	-	58,858,269
Building	118,025,781	-	-	3,305,259	121,331,040
Machinery and equipment	250,851,448	118,344,673	(3,640,170)	39,401,656	404,957,607
Vehicle	38,626,973	3,049,023	(802,666)	-	40,873,330
Furniture and office equipment	10,163,601	2,248,649	-	412,196	12,824,446
Work in progress	18,071,677	96,590,727	-	(43,119,111)	71,543,293
<b>Total</b>	<b>494,597,749</b>	<b>220,233,072</b>	<b>(4,442,836)</b>	<b>-</b>	<b>710,387,985</b>
<u>Less Accumulated depreciation :</u>					
Building	14,851,931	5,932,788	-	-	20,784,719
Machinery and equipment	95,919,717	30,910,434	(1,272,503)	-	125,557,648
Vehicle	33,897,579	2,686,329	(802,665)	-	35,781,243
Furniture and office equipment	6,766,105	1,166,047	-	-	7,932,152
<b>Total</b>	<b>151,435,332</b>	<b>40,695,598</b>	<b>(2,075,168)</b>	<b>-</b>	<b>190,055,762</b>
<b>Property, plant and equipment, net</b>	<b>343,162,417</b>				<b>520,332,223</b>
<b>Depreciation for the years ended July 31,</b>					
2012 (Baht 45.20 million included in cost of sales and services and the balance in administrative expenses)					50,870,602
2011 (Baht 35.75 million included in cost of sales and services and the balance in administrative expenses)					40,695,598

(Unit : Baht)

## Separate financial statements

	Balance As at July 31, 2011	Additions	Deduction	Transfers in (out)	Balance As at July 31, 2012
<u>At cost</u>					
Building	4,464,395	-	-	-	4,464,395
Machinery and equipment	47,694,789	-	(9,557,750)	-	38,137,039
Vehicle	17,931,357	-	(8,505,074)	-	9,426,283
Furniture and office equipment	4,166,257	-	-	-	4,166,257
<b>Total</b>	<b>74,256,798</b>	<b>-</b>	<b>(18,062,824)</b>	<b>-</b>	<b>56,193,974</b>
<u>Less Accumulated depreciation :</u>					
Building	1,112,666	221,845	-	-	1,334,511
Machinery and equipment	41,171,097	1,328,240	(5,363,445)	-	37,135,892
Vehicle	17,862,839	3,656	(8,440,215)	-	9,426,280
Furniture and office equipment	4,021,548	71,330	-	-	4,092,878
<b>Total</b>	<b>64,168,150</b>	<b>1,625,071</b>	<b>(13,803,660)</b>	<b>-</b>	<b>51,989,561</b>
<b>Property, plant and equipment, net</b>	<b>10,088,648</b>				<b>4,204,413</b>

# NOTES TO FINANCIAL STATEMENTS

(Unit : Baht)

	Separate financial statements				Balance As at July 31, 2011
	Balance As at July 31, 2010	Additions	Deduction	Transfers in (out)	
<u>At cost</u>					
Building	18,190,380	-	(13,725,985)	-	4,464,395
Machinery and equipment	92,408,857	254,682	(44,968,750)	-	47,694,789
Vehicle	18,668,602	65,421	(802,666)	-	17,931,357
Furniture and office equipment	4,306,257	-	(140,000)	-	4,166,257
<b>Total</b>	<b>133,574,096</b>	<b>320,103</b>	<b>(59,637,401)</b>	<b>-</b>	<b>74,256,798</b>
<u>Less Accumulated depreciation</u>					
Building	4,380,756	585,708	(3,853,798)	-	1,112,666
Machinery and equipment	50,828,573	5,059,425	(14,716,901)	-	41,171,097
Vehicle	18,659,777	5,726	(802,664)	-	17,862,839
Furniture and office equipment	3,925,379	125,227	(29,058)	-	4,021,548
<b>Total</b>	<b>77,794,485</b>	<b>5,776,086</b>	<b>(19,402,421)</b>	<b>-</b>	<b>64,168,150</b>
<b>Property, plant and equipment, net</b>	<b>55,779,611</b>				<b>10,088,648</b>
<b>Depreciation for the years ended July 31,</b>					
<b>2012 (Total included in administrative expenses)</b>					<b>1,625,071</b>
<b>2011 (Baht 5.65 million included in cost of sales and service and the balance in administrative expenses)</b>					<b>5,776,086</b>

A subsidiary has mortgaged land and construction with a total net book value as at July 31, 2012, of Baht 145.8 million (July 31, 2011 : Baht 150.8 million) to secure credit facilities from financial institution.

As at July 31, 2012 and 2011, certain plant and equipment items of the Company and its subsidiaries have been fully depreciated but are still in use. The original cost of those assets amounted to approximately Baht 64.6 million and Baht 65.0 million, respectively (the company : Baht 46.9 million and Baht 52.2 million, respectively).

## 17. INTANGIBLE ASSETS

This account consisted of :

(Unit : Baht)

	Consolidated financial statements			Balance As at July 31, 2012
	Balance As at July 31, 2011	Additions	Deduction	
<u>At cost</u>				
Computer software	2,006,770	-	-	2,006,770
<u>Less Accumulated amortization</u>	1,067,986	499,311	-	1,567,297
<b>Intangible assets - net</b>	<b>938,784</b>			<b>439,473</b>

# NOTES TO FINANCIAL STATEMENTS

(Unit : Baht)

	Consolidated financial statements			
	Balance As at July 31, 2010	Additions	Deduction	Balance As at July 31, 2011
At cost				
Computer software	1,939,270	67,500	-	2,006,770
Less Accumulated amortization	574,412	493,574	-	1,067,986
<b>Intangible assets - net</b>	<b>1,364,858</b>			<b>938,784</b>
Amortization for the years ended July 31, (Included in administrative expenses)				
2012				499,311
2011				493,574

(Unit : Baht)

	Separate financial statements			
	Balance As at July 31, 2011	Additions	Deduction	Balance As at July 31, 2012
At cost				
Computer software	1,279,270	-	-	1,279,270
Less Accumulated amortization	780,705	256,372	-	1,037,077
<b>Intangible assets - net</b>	<b>498,565</b>			<b>242,193</b>

(Unit : Baht)

	Separate financial statements			
	Balance As at July 31, 2010	Additions	Deduction	Balance As at July 31, 2011
At cost				
Computer software	1,279,270	-	-	1,279,270
Less Accumulated amortization	525,033	255,672	-	780,705
<b>Intangible assets - net</b>	<b>754,237</b>			<b>498,565</b>
Amortization for the years ended July 31, (Included in administrative expenses)				
2012				256,372
2011				255,672

## 18. INVESTMENT PROPERTY

During the third quarter of the year 2009/2010, the subsidiary had purchased a plot of land at the amount of Baht 18.10 million and had already obtained the title of this land. As at July 31, 2012, this land has not yet been used in business operation. This was appraised by independent appraiser of Baht 20.96 million (Cost estimates by fair value).

# NOTES TO FINANCIAL STATEMENTS

## 19. OBLIGATIONS FOR EMPLOYEE BENEFITS

The Company has adopted the accounting standard No.19 (TAS 19) regarding employee benefits, which became effective since January 1, 2011. The impact on the financial statement has been disclosed in note 5.1.

### Statement of financial position as at July 31, 2012

(Unit : Baht)

	Consolidated financial statements	Separate financial statements
For the year ended July 31, 2012		
Employee benefit obligation as at August 1, 2011	610,763	232,222
Current service costs and finance cost	95,164	35,074
<b>Employee benefit obligation as at July 31, 2012</b>	<b>705,927</b>	<b>267,296</b>

### Statements of comprehensive income for the year ended July 31, 2012

(Unit : Baht)

	For the years ended July 31, 2012	
	Consolidated financial statements	Separate financial statements
Increase in employee benefit expense		
Increase in cost of sales	14,426	-
Increase in administrative expenses	33,337	3,080
Increase in management benefit expenses	22,543	22,543
Increase in finance cost	24,858	9,451
<b>Total</b>	<b>95,164</b>	<b>35,074</b>

### Primary assumptions for estimation according to actuarial principles

	Percentage	
	Consolidated financial statements	Separate financial statements
For the year ended July 31, 2012		
Discount rate	4.07	4.07
Salary increase rate	2 - 8	2 - 8
Employee turnover rate	0 - 15	0 - 15
Mortality rate	Refer to OIC Thai	Refer to OIC Thai
	Mortality Rate	Mortality Rate
	Table 2008	Table 2008



## 20. CAPITAL MANAGEMENT

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

According to the separate statement of financial position as at July 31, 2012 and 2011 the Company's debt-to-equity ratio was 0.016 : 1 and 0.003 : 1, respectively.

## 21. DIVIDEND

A meeting of the Board of Directors of the Company held on September 26, 2011 approved a resolution to propose a dividend of Baht 0.10 per share for the year 2010/2011, totaling Baht 30.0 million. This resolution was approved by the ordinary meeting of the shareholders on November 30, 2011. The Company paid a dividend to the shareholders in December 2011.

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

## 22. EXPENSE BY NATURE

Significant expenses categorized by nature for the consolidated statement of comprehensive income and the separated statement of comprehensive income are as follows:

(Unit : Baht)

	For the years ended July 31,			
	Consolidated		Separate	
	2012	2011	2012	2011
Raw material and consumable used	418,019,878	352,146,257	1,739,877	96,623,134
Change in inventories of finished goods and work in process	(392,678)	51,242,469	-	887,111
Depreciation and amortization	51,369,913	41,189,172	1,881,443	6,031,758
(Gain) loss on exchange rate	(325,182)	1,872,736	-	-
Employee benefit cost	46,628,138	30,589,618	17,066,421	20,191,531
Post-retirement employee benefits	95,164	-	35,074	-

## 23. PROVIDENT FUND

The Company, its subsidiaries and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Employees, the Company and its subsidiaries contributed to the fund monthly at the rate of 2 percent of the basic salary. The fund, which is managed by TISCO Asset Management Company Limited, will be paid to employees upon termination in accordance with the fund rules. For the years ended July 31, 2012 and 2011 the contributions by the Company and its subsidiaries amounted in total of Baht 0.86 million and Baht 0.86 million, respectively (the Company : Baht 0.85 million and Baht 0.85 million, respectively).

# NOTES TO FINANCIAL STATEMENTS

## 24. CORPORATE INCOME TAX

Corporate income tax is calculated at the rate of 30 percent of taxable income, which is calculated from the profit before corporate income tax by adding back certain expenses which are non-deductible for tax computation purposes.

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

Corporate Income Tax Consisted of:

(Unit : Baht)

	For the years ended July 31,			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Main Components of Corporate Income Tax Expense (Revenue)				
Profit before Corporate Income Tax	141,613,104	82,967,914	2,572,954	116,280,157
Entries Adjusted to Arrive at Taxable Profit				
Expenses - Not Tax Deductible	576,472	444,207	242,652	127,836
Expenses (Reversal) - Tax Deductible	(111,769)	(114,234,979)	(19,000)	(112,618,362)
Related transactions	3,822,215	115,333,415	-	-
Net profit exempted from investment promotion	(136,347,892)	(75,295,236)	-	-
Taxable profit	9,552,130	9,215,321	2,796,606	3,789,631
<b>Corporate Income Tax Expenses</b>	<b>2,865,639</b>	<b>2,575,115</b>	<b>838,982</b>	<b>947,408</b>

## 25. PROMOTIONAL PRIVILEGES

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

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

# NOTES TO FINANCIAL STATEMENTS

Revenues of its subsidiaries for the years ended July 31, 2012 and 2011 as classified by the promoted and non-promoted operations are as follows:-

(Unit : Baht)

	2012			2011		
	Promoted activity	Non-Promoted activity	Total	Promoted activity	Non-Promoted activity	Total
Domestic revenues						
Sales	497,230,514	-	497,230,514	247,106,386	-	247,106,386
Other income	980,233	-	980,233	103,384	-	103,384
<b>Total domestic revenues</b>	<b>498,210,747</b>	<b>-</b>	<b>498,210,747</b>	<b>247,209,770</b>	<b>-</b>	<b>247,209,770</b>

## 26. FINANCIAL INFORMATION BY SEGMENT

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

## 27. COMMITMENTS AND CONTINGENT LIABILITIES

### 27.1 Operating lease commitments

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

As at July 31, 2012, the Company has commitment under the agreement for the rental fee as follows:-

	Million Baht
Payable within :	
1 year	0.6
More than 1 year 1 to 5 year	-

### 27.2 Guarantees

As at July 31, 2012 and 2011, there were outstanding bank guarantees of approximately Baht 1.4 million and Baht 1.5 million, respectively (the company : Baht 0.6 million and Baht 0.7 million, respectively) issued by a bank on behalf of the Company and subsidiaries in respect of certain performance bonds as required in the normal course of business.

### 27.3 Loan facilities from financial institutions

The Company obtained loan facilities from local commercial banks totaling Baht 410 million (July 31, 2011 : Baht 300 million). These loans are guaranteed by two subsidiaries and the subsidiary's land and construction thereon.

# NOTES TO FINANCIAL STATEMENTS

## 27.4 Others

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

## 28. FINANCIAL INSTRUMENTS

### 28.1 Financial risk management

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

#### Credit risk

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

#### Interest rate risk

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

Significant financial assets and liabilities as at July 31, 2012 classified by type of interest rates are summarized in the table below.

(Unit : Million Baht)

Consolidated financial statements	Floating interest rate	Non-interest bearing	Total	Interest rate (% p.a.)
<b>Financial assets</b>				
Cash and cash equivalents	251	-	251	0.00 - 2.90
Trade accounts receivable	-	101	101	-
Deposits with restrictions	2	-	2	0.60 - 1.75
	253	101	354	
<b>Financial liabilities</b>				
Trade accounts payable	-	36	36	-
	-	36	36	



# NOTES TO FINANCIAL STATEMENTS

(Unit : Million Baht)

Separate financial statements	Floating interest rate	Non-interest bearing	Total	Interest rate (% p.a.)
<b>Financial assets</b>				
Cash and cash equivalents	8	-	8	0.00 - 2.90
Trade accounts receivable	-	11	11	-
Deposits with restrictions	2	-	2	0.60 - 1.75
	10	11	21	
<b>Financial liabilities</b>				
Trade accounts payable	-	9	9	-
	-	9	9	

## 28.2 Fair values of financial instruments

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

## 29. SUBSEQUENT EVENTS

A meeting of the Board of Directors of the Company held on September 27, 2012 approved a resolution to propose a dividend of Baht 0.16 per share for the year 2011/2012.

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

## 30. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorized for issue by the Company's Board of Directors on September 27, 2012.



Investor Relation  
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