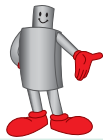




ANNUAL REPORT

2014 

Our services start before we sell.
Customer satisfaction is our first priority.
We built our reputation on quality.
We built our future on your satisfaction.



ANNUAL REPORT 2014 CITY STEEL PUBLIC COMPANY LIMITED

	CONTENTS
• MESSAGE FROM THE CHAIRMAN	1
• GENERAL INFORMATION	2
• DETAILS OF SUBSIDIARIES	3
• FINANCIAL HIGHLIGHTS	5
• OVERVIEW, POLICY, AND NATURE OF BUSINESS	6
• RISK FACTORS	16
• SHAREHOLDER'S STRUCTURE	19
• MANAGEMENT STRUCTURE	21
• CORPORATE GOVERNANCE	33
• CORPORATE SOCIAL RESPONSIBILITY	42
• ANTI-CORRUPTION POLICY	45
• REPORT OF THE AUDIT COMMITTEE	46
• RELATED PARTY TRANSACTIONS	48
• MANAGEMENT DISCUSSION AND ANALYSIS	51
• REPORT OF THE BOARD OF DIRECTOR'S RESPONSIBILITIES FOR FINANCIAL STATEMENTS	58
• CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS	59

Investors may find more information of the Company in the Annual Registration Statement (Form 56-1) that disclosed in the website www.sec.or.th or the Company's website at www.citysteelpcl.com.



MESSAGE FROM THE CHAIRMAN

During the year 2013/2014, Thailand had encountered a severe internal political turmoil that started since the end of the year 2013 and continued to the beginning of the year 2014. There were mass rallies in several areas that seized many government buildings. There was no government to operate the country and approve spending budgets. All of these factors had deteriorated both people and industrial sector confidences, which resulted in a plunge in public consumption and private investment, and ultimately caused a contraction in domestic economy.

However, since the Group has a large customer base that covers every industrial sector, the marketing department had adjusted the selling tactics to focus on the customers who were not affected by the economic contraction. As a result, the Group's total revenues had increased from the previous year. Additionally, as the Group realized that the economy was in recession, the Group had strived to manage costs and expenses efficiently, which resulted in a decrease in proportion of costs and expenses to total revenues and an increase in the Group's net profits. The year 2013/2014, the Group could generate the recorded highest revenues and profits since the Group had established, which was quite a pleasurable results.

As the Group has employed prudent business policies and determined to manage the operations carefully, the Group was able to overcome obstacles and challenges that had encountered in the past years. The Group still determines to hold on to these principles and policies in order to move forward to become a leader in the manufacturing and sales of metal products industry by manufacturing and providing high quality products and services to satisfy our customers. In addition, the Group has determined to efficiently operate the businesses as well as followed the Good Corporate Governance practices and Anti-Corruption Policies, and operate businesses with social responsibilities, which are the important foundation for sustainable growth.

Finally, we would like to thank all of our staffs for the commitment and dedication that made the last year became one of the best year of the Group's history. We would like to express our gratitude to our shareholders, customers, business alliances and partners, and all relevant parties for your well support over the years.

Mr. Wibool Phongratanadechachai
Chairman of the Board of Directors



GENERAL INFORMATION

CITY STEEL PCL. *Metal TECHNOLOGY*™

Company Name	:	City Steel Public Company Limited ("The Company")
Symbol	:	CITY
Type of Business	:	Holding Company, investing in 4 subsidiaries, which are <ul style="list-style-type: none">● Siam ISO Pro Company Limited● Mark Worldwide Company Limited● City Steel Products Company Limited● CT Universal Company Limited.
Head Office's Address	:	88/3 Moo 4, Bypass Road, Nongmaidaeng, Muang, Chonburi, 20000
Branch 1's Address	:	120 Moo 3, Sukhumvit Road, Bansuan, Muang, Chonburi, 20000
Registered Number	:	0107547000931
Registered Capital	:	THB 300,000,000
Paid Up Capital	:	THB 300,000,000
Share Type	:	Common shares 300,000,000 shares
Par Value	:	THB 1 each
Website	:	http://www.citysteelpcl.com
E-mail Address	:	city@wkpgroup.com , ir@wkpgroup.com
Telephone Number	:	(038) 782-064-68
Fax Number	:	(038) 782-069-70





ISO PRO

Siam ISO Pro Company Limited

Type of Business	:	Merchandising industrial materials and machinery, Investing, and Overseeing new business expansion
Head Office's Address	:	88/2 Moo 4, Bypass Road, Nongmairdaeng, Muang, Chonburi, 20000
Registered Number	:	0205546002113
Registered Capital	:	THB 154,000,000
Paid Up Capital	:	THB 112,000,000 (As at July 31, 2014)
Share Type	:	Common share 15,400,000 shares
Par Value	:	THB 10 each
THB 10 each	:	isopro@wkpgroup.com
Telephone Number	:	(038) 782-064-68
Fax Number	:	(038) 782-069-70



Mark Worldwide Company Limited

Type of Business	:	Manufacturing and sales of metal products
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, Nongmairdaeng, Muang, Chonburi, 20000
Registered Number	:	0205544011158
Registered Capital	:	THB 295,000,000
Paid Up Capital	:	THB 280,200,000 (As at July 31, 2014)
Share Type	:	Common share 29,500,000 shares
Par Value	:	THB 10 each
E-mail Address	:	mark@wkpgroup.com
Telephone Number	:	(038) 287-111
Fax Number	:	(038) 289-151-3



DETAILS OF SUBSIDIARIES

CITY STEEL

PRODUCTS

City Steel Products Company Limited

Type of Business	:	Manufacturing and sales of metal products
Head Office's Address	:	88/20 Moo 10, Bypass Road, Napa, Muang, Chonburi, 20000
Registered Number	:	0205552013105
Registered Capital	:	THB 270,000,000
Paid Up Capital	:	THB 247,050,000 (As at July 31, 2014)
Share Type	:	Common share 27,000,000 shares
Par Value	:	THB 10 each
E-mail Address	:	citypro@citysteelpcl.com
Telephone Number	:	(038) 782-064-68
Fax Number	:	(038) 782-069-70

CT Universal Company Limited

Type of Business	:	Merchandising industrial and consumer products as well as investing in new businesses.
Country of Registration	:	Hong Kong SAR
Registered Capital	:	USD 3,000,000

References

Share Registrar	:	Thailand Securities Depository Company Limited The Stock Exchange of Thailand Building 62 Ratchadaphisek Road, Klongtoey, Bangkok, 10110 Tel : (02) 229-2800 Fax : (02) 359-1259
Auditor	:	Ms. Wannisa Ngambuathong Certified Public Accountant No. 6838 Dharmniti Auditing Company Limited 267/1 Pracharaj Sai 1 Raod, Bangsue, Bangkok, 10800 Tel : (02) 587-8080 Fax : (02) 586-0301, (02) 587-2018, (02) 587-5475 Website : http://www.dharmniti.co.th Email : center@dharmniti.co.th

FINANCIAL HIGHLIGHTS



Financial Performance of the Group for the accounting period ended July 31,

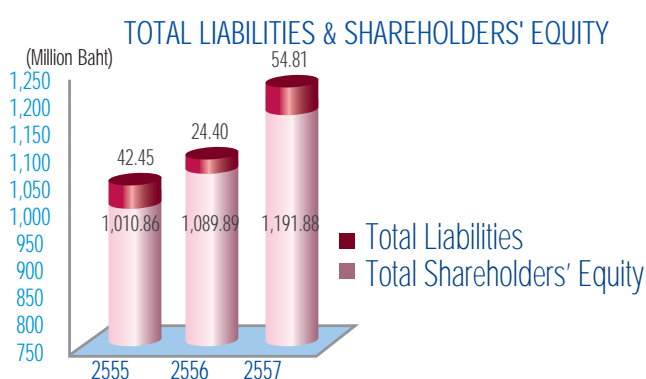
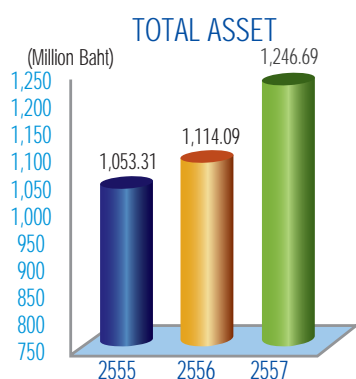
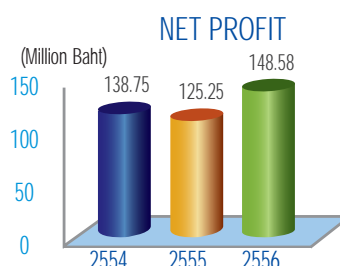
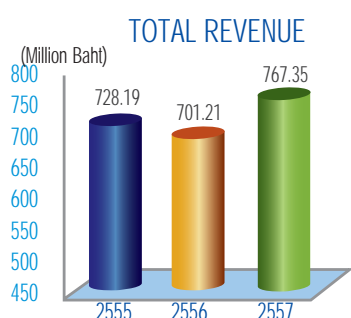
(Unit : THB Million)

	2012	2013	2014
Total Revenue	728.19	701.21	767.35
Gross Profit	188.78	176.21	203.81
Net Profit	138.75	125.24	148.58
Total Assets	1,053.31	1,114.09	1,246.69
Total Liabilities	42.45	24.40	54.81
Total Shareholders' Equity	1,010.86	1,089.69	1,191.88
Paid Up Capital	300.00	300.00	300.00

Financial Ratios of the Group for the accounting period ended July 31,

(Unit : THB Million)

		2012	2013	2014
Gross Profit Margin	(%)	26.10	25.31	26.77
Net Profit Margin	(%)	19.05	17.86	19.36
Return on Equity	(%)	14.51	11.92	13.02
Return on Assets	(%)	13.93	11.55	12.59
Liquidity Ratio	(Times)	11.09	22.78	13.03
Debt to Equity Ratio	(Times)	0.04	0.02	0.05
Dividend Payout Ratio	(%)	37.32	34.59	38.33





OVERVIEW, POLICY, AND NATURE OF BUSINESS

Business Overview

City Steel Company Limited was established on August 7, 1995 with registered capital of THB 1 Million and had objective to manufacture and sell metal products. Presently, City Steel Public Company Limited has registered capital of THB 300 million and is listed in the Stock Exchange of Thailand in "Steel" sector. The Company now becomes a holding company that invests in 3 direct subsidiaries includes Siam ISO Pro Company Limited, Mark Worldwide Company Limited, and City Steel Products Company Limited as well as 1 indirect subsidiary which is CT Universal Company Limited that is registered in Hong Kong SAR.

In the 2013/2014, the Group operates in only one operating segment that is manufacturing and sales of metal products. The Group divides marketing and production teams into 2 operating units:

(1) Manufacturing and sales of metal structures, storage systems and material handling equipment, and other metal products, and

(2) Manufacturing and sales of metal materials, metal parts, and fabricated metal parts, as well as providing metal processing services. Additionally, to fulfill various customer needs, the Group also offers industrial materials and machinery for the customers as well.

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. Apart from that, 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.

OVERVIEW, POLICY, AND NATURE OF BUSINESS



Background and Major Milestones

- 1995**
- “City Steel Company Limited” established on August 7, 1995 with registered capital of THB 1 million.
 - Started production of storage system, material handling equipment, and metal products.
-
- 2002**
- Granted international standard ISO9002:1994 certification.
 - Increased registered capital to THB 31 million.
-
- 2003**
- Granted a brand “Thailand’s Brand” from Department of Export Promotion.
 - Increased registered capital to THB 59 million.
-
- 2004**
- Granted international standard ISO9001:2000 certification.
 - Started service of steel service center (Branch 1).
 - Started production of Siam ISO Pro Company Limited (BOI Privilege).
 - Increased registered capital to THB 200 million.
 - Transformed into a Public Company on October 5, 2004.
-
- 2006**
- Increased registered capital to THB 300 million.
 - Approved as a registered company by the Stock Exchange of Thailand.
 - Started trading in the stock market on February 23, 2006.
-
- 2007**
- Started production of Mark Worldwide Company Limited (BOI Privilege).
-
- 2009**
- Established “City Steel Products Company Limited” on September 7, 2009 with registered capital of THB 100 million.
-
- 2010**
- Started production of City Steel Products Company Limited (BOI Privilege).
-
- 2011**
- City Steel Products Company Limited increased registered capital to THB 270 million.
-
- 2012**
- Earned “SET AWARDS”, Best Company Performance Awards for listed companies with market capitals not exceed THB 10,000 million, Group 4.
-
- 2014**
- Established “CT Universal Company Limited” in Hong Kong SAR on January 15, 2014 with registered capital of USD 3 million and with objectives to facilitate the Group future expansion plan, merchandise industrial materials and consumer products as well as investing in new businesses.



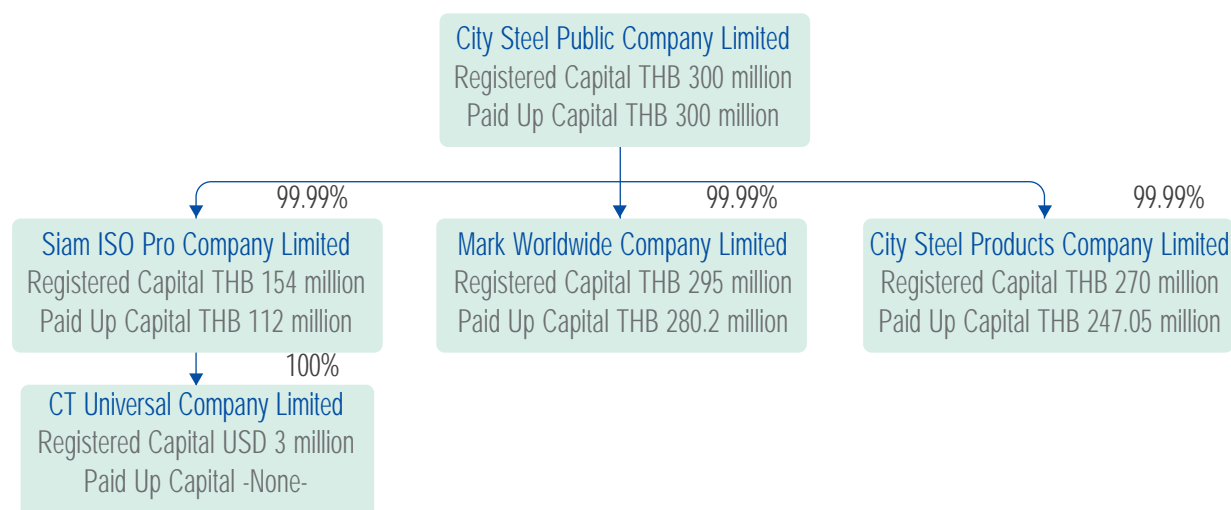
OVERVIEW, POLICY, AND NATURE OF BUSINESS

Details of the subsidiaries and their business operations

City Steel Public Company Limited is a Holding Company, invests in subsidiaries that have objectives of manufacturing and sales of metal products and merchandising industrial materials and consumer products. As at July 31, 2014, details of the subsidiaries were as follows:

Company Name	Nature of Business	Percentage of Shareholding
1. Manufacturing and Sales of Metal Products		
▶ Mark Worldwide Co., Ltd.	Manufacturing and sales of metal materials, metal parts, and fabricated metal parts, as well as providing metal processing services.	The Company holds 99.99% in the subsidiary.
▶ City Steel Products Co., Ltd	Manufacturing and sales of metal structures, storage systems and material handling equipment, and other metal products.	The Company holds 99.99% in the subsidiary.
2. Merchandising industrial materials and consumer products		
▶ Siam ISO Pro Co., Ltd.	Merchandising metal products, industrial materials and equipment as well as investing in new businesses and overseeing business expansion.	The Company holds 99.99% in the subsidiary.
▶ CT Universal Co., Ltd.	Merchandising industrial materials and consumer products as well as investing in new businesses.	The subsidiary, Siam ISO Pro Co., Ltd. holds 100% in CT Universal Co., Ltd.

The Group's shareholding structure as at July 31, 2014 is presented below:





OVERVIEW, POLICY, AND NATURE OF BUSINESS



PRODUCTS AND SERVICES

The Group manufactures and sells metal structures, storage systems and material handling equipment, fabricated metal parts, other metal products, as well as provides metal processing services to both domestic and overseas customers under the brand "CITY STEEL". Although, the Group has the same executive management teams, it divides its operation into business units. Each unit has its own marketing and production teams but still keep up the same level of quality and standard for all products and services. The products are custom-made with specific shapes, sizes, and usage purposes as requested by customers and will be produced once received the orders from the customers (Made to Order). In the year 2013/2014, the Group separated 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



OVERVIEW, POLICY, AND NATURE OF BUSINESS

1.2 Storage System and Material Handling Equipment

▶ Storage Systems

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 equipment are commonly used in transferring and handling processes in the production lines or assembly lines in the factories, and can be used in superstores, seaports or other places that required a carrying of products from 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



OVERVIEW, POLICY, AND NATURE OF BUSINESS



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 center



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, checkered plate, galvanized steel sheet, zinc sheet, furniture steel pipe, stainless steel square pipe, cold rolled steel plate, square steel pipe, stainless steel pipe, stainless steel sheet, etc.

3. Supporting business



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

4. Investment



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



OVERVIEW, POLICY, AND NATURE OF BUSINESS

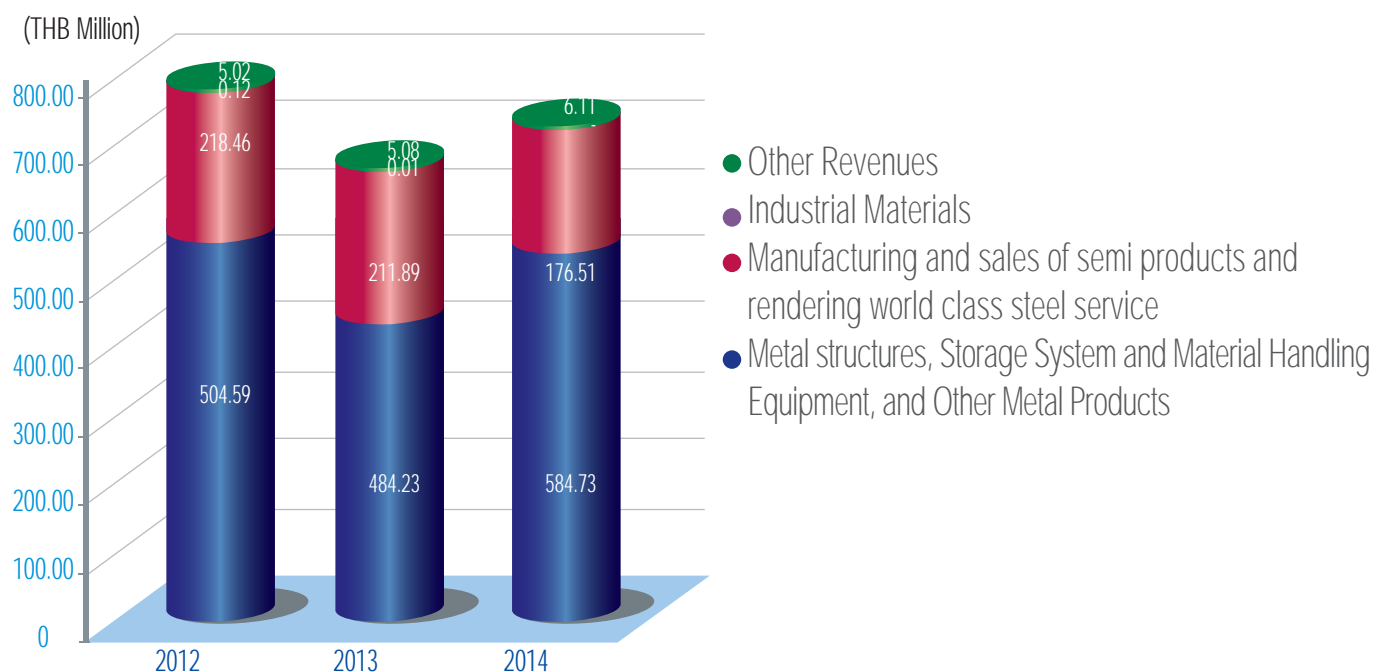
The Group's Revenue Structure

Revenue Sources	Generated by	2011/2012 (Aug '11 - Jul '12)		2012/2013 (Aug '12 - Jul '13)		2013/2014 (Aug '13 - Jul '14)	
		THB Million	%	THB Million	%	THB Million	%
Domestic Revenues							
1. Manufacturing and Sales of Metal Products							
• Manufacturing and sales of metal structures, storage systems and material handling equipment, and other metal products.	The Group	504.16	69.23	476.94	68.02	574.52	74.87
• Manufacturing and sales of metal materials, metal parts, and fabricated metal parts, as well as providing metal processing services.	The Group	218.46	30.00	211.89	30.22	176.51	23.00
2. Merchandising industrial materials							
• Merchandising industrial materials and equipments	The Group	0.12	0.02	0.01	0.00	0.00	0.00
Total Domestic Revenues		722.74	99.25	688.84	98.24	751.03	97.87
Overseas Revenues							
1. Manufacturing and Sales of Metal Products							
• Manufacturing and sales of metal structures, storage systems and material handling equipment, and other metal products.	The Group	0.43	0.06	7.29	1.04	10.21	1.33
• Manufacturing and sales of metal materials, metal parts, and fabricated metal parts, as well as providing metal processing services.	-	-	-	-	-	-	-
2. Merchandising industrial materials							
• Merchandising industrial materials and equipment	-	-	-	-	-	-	-
Total Overseas Revenues		0.43	0.06	7.29	1.04	10.21	1.33
Other Revenues	The Group	5.02	0.69	5.08	0.72	6.11	0.80
Total Revenues		728.19	100.00	701.21	100.00	767.35	100.00

OVERVIEW, POLICY, AND NATURE OF BUSINESS



REVENUE STRUCTURE



As at July 31, 2014, the Group has operated in 6 business locations as follows :

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



OVERVIEW, POLICY, AND NATURE OF BUSINESS

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 almost 20 years of experiences along with knowledge and skills in this industry, the Group is not only able to manufacture various types of products but also able to provide a variety of services which contribute to customers' satisfaction and ultimately create trust and confidence among customers. The key success factors of the Group can be summarized as follows :

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".

Customer Categories and Prospects

Presently, the Group has both domestic and overseas customers, but most of the customers are domestic customers.

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 July 31, 2014, 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

OVERVIEW, POLICY, AND NATURE OF BUSINESS

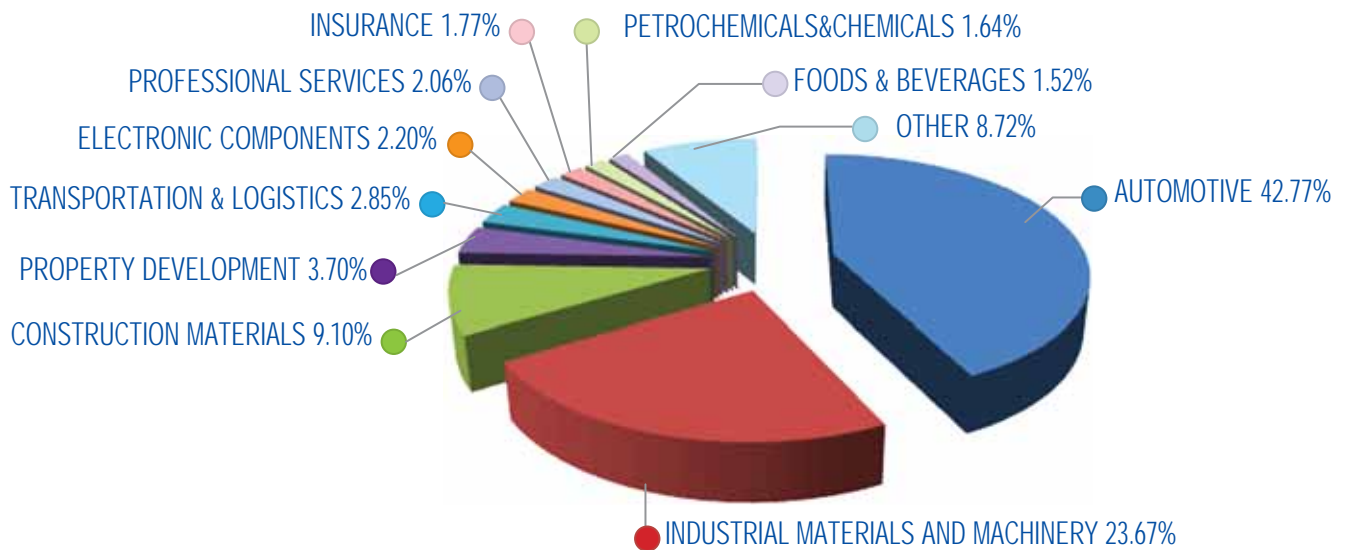


- Mining
- Banking
- Commerce
- Automotive
- Information & Communication Technology
- Construction Materials
- Property Development
- Professional Services
- Personal Products & Pharmaceuticals
- Media and Publishing
- Finance and Securities
- Petrochemicals and Chemicals
- Industrial Materials and Machinery
- Paper and Printing Materials
- Energy & Utilities

- Transportation & Logistics
- Home & Office Products
- Packaging
- Insurance
- Tourism & Leisure
- Electronic Components

2) Overseas 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

RISK FACTORS

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

Risk associated with fluctuations of raw material prices

Major materials used to produce the Group's products are metal material including hot-rolled steel plates, cold-rolled steel plates, profiled steel, as well as stainless steel and aluminum. These metal prices are directly related to demands of metal consumers and supplies of producers around the world and other related factors such as foreign exchange rate, import duty, and surcharge. In the year 2012/2013 the metal materials used in the Group's production accounted for 56.39 percent of cost of goods sold, whereas in the year 2013/2014 accounted for 63.33 percent. Therefore, changes in the metal prices will directly affect the Group's cost of goods sold, revenues, and operating profits.

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

Risk associated with economic conditions

As majority of the Group's products are capital goods, demands for the products will arise only when there are new investments. Customers will order the products when they want to expand, restore, improve, or relocate their factories. If economy is on an upward trend, the factories or capacities expansion will increase, which will result in an increase in demand for the Group's products. On the other hand, if the economy is in recession, investment in production facilities or capacities expansion will decline and will cause a decrease in demands for the capital goods.

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 2011/2012, 2012/2013, and 2013/2014 are 99.94%, 98.95%, and 98.66%, respectively. According to these figures, the proportion of domestic customers was very large. So, if the domestic economy declines, the Group's revenues and profits will be negatively affected. 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. The Group anticipates that an 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



RISK FACTORS



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 July 31, 2014 the Group's accounts receivable was THB 76.66 million, which equaled to 10.07% of sales and service revenues, with average collection period of 43.11 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, material handling and storage system equipment, processed steel and providing full-range steel service in the eastern region of Thailand. The Group's customers are located throughout the country but located intensely around eastern region of Thailand, Bangkok and Bangkok metropolitan areas. Most of the Group's competitors are small size companies spreading around the community. Some are large, but do not manufacture full product ranges or provide full-range steel services as the Group does. Hence, the Group is considered as the industry leader.

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 takes 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



RISK FACTORS

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.

Risk associated with exchange rate

In 2013/2014, the Group has imported goods from and exported products to overseas in foreign currencies, which exposes the Group to foreign exchange risk. The Group has managed the foreign exchange risk by closely monitoring the exchange 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.

Risk associated with major shareholders holding shares more than 50%

As at October 15, 2014, Phongratanadechachai family held 72.92% of the Company's issued and paid-up capital, which will enable the Phongratanadechachai family to take control over most of the resolutions of shareholders' meeting. The resolutions include the appointment of directors and other agenda that required majority votes of shareholders, except for the matters that required by law or company's articles of association that required the votes of three-fourth of the shareholders' meeting. Therefore, other shareholders might not be able to collect sufficient votes to examine and counter balance in the agenda that the major shareholders would propose.

SHAREHOLDER'S STRUCTURE



SHAREHOLDER'S STRUCTURE

The major shareholders whose names appeared in the share registrar as at 15 October 2014 are shown as follows:

Name of Shareholders	Number of Shares (Shares)	Percentage of Shares Holding (%)
1. Phongratanadechachai Family Group ^{/1}		
• WKP Asset Plus Company Limited ^{/2}	166,500,000	55.50
• Mr. Komgrich Phongratanadechachai	7,709,625	2.57
• Mr. Wibool Phongratanadechachai	7,500,000	2.50
• Mrs. Kheng Phongratanadechachai	7,500,000	2.50
• Mr. Satit Phongratanadechachai	7,500,000	2.50
• Miss Suputra Phongratanadechachai	7,500,000	2.50
• Mrs. Orawan Phongratanadechachai	7,500,000	2.50
• Mr. Bundit Phongratanadechachai	7,047,100	2.35
Total	218,756,725	72.92
2. Mr. Anan Raweesaengsoon	4,500,000	1.50
3. Mr. Muangthong Sathiensakphong	3,129,000	1.04
4. Mr. Phaosingh Nuengjumong	3,050,000	1.02
5. Mr. Surachet Kamolmongkolsuk	2,878,700	0.96
6. Mrs. Pikul Chanachaiwuttikul	2,200,000	0.73
7. Mr. Rungroj Napa-umporn	1,650,000	0.55
8. Mr. Phaphong Pramroj	1,359,100	0.45
9. Major Thikamporn Chomdech	1,100,000	0.37
10. Mr. Sarayuth Soonthornkate	1,000,000	0.33
Total	239,623,525	79.87

Notes ^{/1} WKP Asset Plus Company Limited, Mr. Komgrich Phongratanadechachai, Mr. Wibool Phongratanadechachai, Mrs. Kheng Phongratanadechachai, Mr. Satit Phongratanadechachai, Miss Suputra Phongratanadechachai, Mrs. Orawan Phongratanadecha-chai, and Mr. Bundit Phongratanadechachai are categorized under the same group of persons in accordance with the Notification of Capital Market Supervisory Board No. TorChor, 7/2552 Re: Acting in concert as a result of the nature of a relationship or behavior and requirements under Sections 246 and 247.

^{/2} WKP Asset Plus Co., Ltd. is fully owned by Phongratanadechachai Family.



SHAREHOLDER'S STRUCTURE

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 2012/2013 operation performance at THB 0.16 per share or equal to 40% of net profit after tax and legal reserve.

Previous dividend payments were presented as follows:

Year	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013
Earnings Per Share	0.27	0.22	0.27	0.46	0.42
Dividend Per Share	0.11	0.08	0.10	0.16	0.16
Dividend Payout Ratio (%)	40.74%	36.36%	37.04%	34.78%	38.10%



MANAGEMENT STRUCTURE

Management structure of the Company consists of 3 Committees including 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 member
- Independent Directors 3 member

As of July 31, 2014, the Board of Directors consisted of 8 members as listed below:

1. Mr. Wibool Phongratanadechachai
Chairman of the Board of Directors
2. Mr. Komgrich Phongratanadechachai Director
3. Mr. Satit Phongratanadechachai Director
4. Miss Suputra Phongratanadechachai Director
5. Mr. Charoenpong Ongwongsakul Director
6. Mr. Manop Chivatanasoonton Director
7. Mr. Anutara Tantraporn Director
8. Mr. Patarathorn Thatsanasuwan Director

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,



MANAGEMENT STRUCTURE

which exceeding the power of Executive Directors, including approve joint venture plan to expand business and approve loan except the loans for operating cash flow which approved by Executive Director.

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

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

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

MANAGEMENT STRUCTURE



serve only the period remaining to completion of the director whom he or she replaced.

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

Attendance of Director Meeting for the year 2013/2014

Name of Director	Position	No. of attendance / Total of meeting (Times)
1. Mr. Wibool Phongratanadechachai	Chairman of the Board of Directors	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 Chivatanasoonon	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 2011/2012		Year 2012/2013		Year 2013/2014	
	Amount (THB)	Remuneration	Amount (THB)	Remuneration	Amount (THB)	Remuneration
1. Mr. Wibool Phongratanadechachai	66,000.00	Meeting	72,000.00	Meeting	74,000.00	Meeting
2. Mr. Komgrich Phongratanadechachai	-	-	-	-	-	-
3. Mr. Satit Phongratanadechachai	-	-	-	-	-	-
4. Miss Suputra Phongratanadechachai	-	-	-	-	-	-
5. Mr. Charoenpong Ongwongsakul	-	-	-	-	-	-
6. Mr. Manop Chivatanasoonon	66,000.00	Meeting	72,000.00	Meeting	74,000.00	Meeting
7. Mr. Anutara Tantraporn	52,800.00	Meeting	43,500.00	Meeting	58,000.00	Meeting
8. Mr. Patarathorn Thatsanasuwan	52,800.00	Meeting	56,700.00	Meeting	58,000.00	Meeting



MANAGEMENT STRUCTURE

Audit Committee

As at July 31, 2014, the Audit Committee consists of 3 Independent Directors as below:

1. Mr. Manop Chivatanasoonton
Chairman of the Audit Committee
2. Mr. Anutara Tantraporn Audit Committee
3. Mr. Pattarathon Thatsanasuwan Audit Committee

The Audit Committee who has experiences in reviewing of the Company's financial statements is Mr. Manop Chivatanasoonton, 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 disclose by cooperating with the Company's external auditor and executive who is responsible for the quarterly and annually financial statement. Also, to recommend the external auditor to review or audit any transactions deemed significant during the auditing period.

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

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

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

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

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



MANAGEMENT STRUCTURE



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 July 31, 2014, 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.



MANAGEMENT STRUCTURE

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.

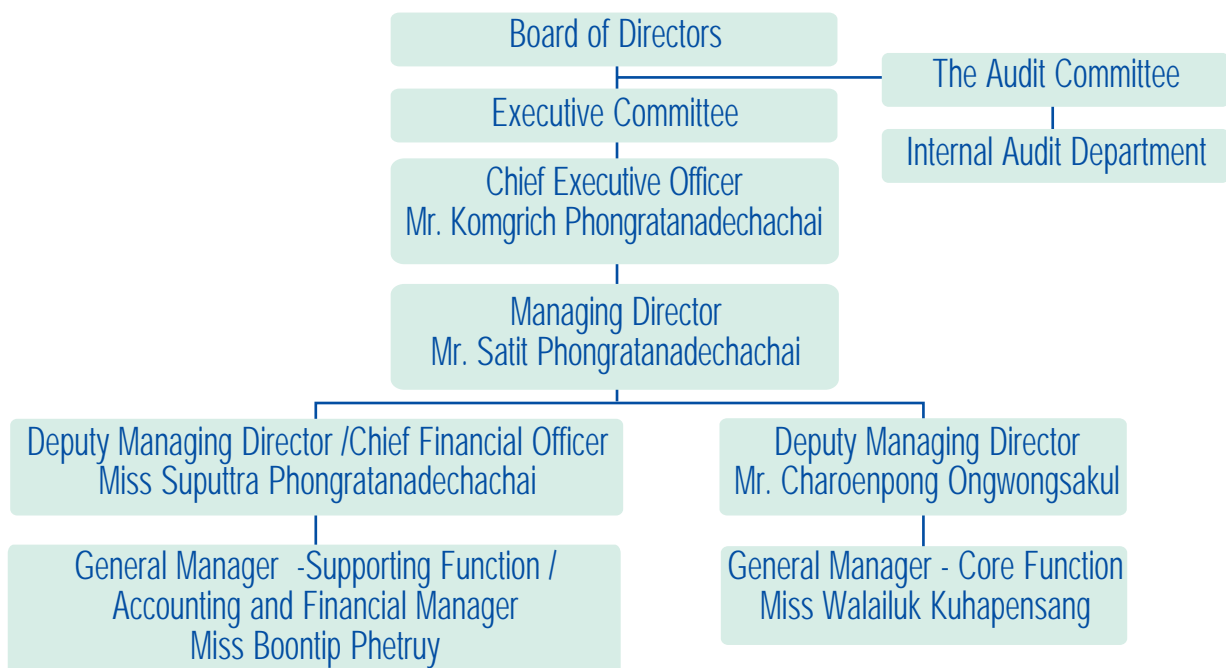
7. Approve the investment, purchasing and disposing of the Group's assets as well as sourcing and procurement, borrowing, lending activities, and engaging in business contracts or undertaken in legal act, which related to normal business and objectives of the Group under the authority levels stated in the Company's Codes of Conduct.

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

Management Team

1. Mr. 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	Phetry	General Manager - Supporting Function/ Accounting and Financial Manager

Organization Chart as of July 31, 2014





Company Secretary

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

Executive Director Remunerations

The Group's executive director remunerations consisted of salary and bonus, which paid to 6 executive directors with details as follows:

	Year 2011/2012		Year 2012/2013		Year 2013/2014	
	Persons	Amount (THB Million)	Persons	Amount (THB Million)	Persons	Amount (THB Million)
Total Salary	6	7.15	6	7.23	6	7.26
Total Bonus	6	0.75	6	0.76	6	0.76
Total	6	7.90	6	8.00	6	8.02

MANAGEMENT STRUCTURE

Details of the Directors and Executives as of July 31, 2014

No.	Name	Age	Academic Qualifications	Percentage of Shares Holding	Family relationship among executives	Previous 5-Year Work Experiences			
						Period	Position	Organization	
1	Mr. Wibool Phongratanadechachai	70	- N/A	5.00	Father of Mr. Komgrich, Mr. Satit, and Miss Suputra	1995 - Present	Chairman of the Board of Directors	City Steel Pcl.	
			- Director Accreditation Program (DAP) 26/2004						
			Thai Institute of Director Association (IOD)					*(Authorized Directors)	
2	Mr. Komgrich Phongratanadechachai	42	- MBA : Business Administration, Strayer University, USA	5.07	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						
			Thai Institute of Director Association (IOD)						
3	Mr. Satit Phongratanadechachai	39	- MBA : Business Administration, Shenandoah University, USA	2.50	Mr. Wibool's son	2002 - Present	Director / Managing Director	City Steel Pcl.	
			- BBA : Business Administration, Assumption University			2002 - Present	Executive Director	City Steel Pcl.	
			- Director Accreditation Program (DAP) 26/2004						
			Thai Institute of Director Association (IOD)						
4	Miss Suputra Phongratanadechachai	32	- 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						
			Thai Institute of Director Association (IOD)						

MANAGEMENT STRUCTURE

Details of the Directors and Executives as of July 31, 2014 (Cont.)

No.	Name	Age	Academic Qualifications	Percentage of Shares Holding	Family relationship among executives	Previous 5-Year Work Experiences		
						Period	Position	Organization
5	Mr. Charoenpong Ongwongsakul	36	- B.Eng : Electrical Engineering	0.30	Brother of Mr. Komgrich's spouse	2005 - Present	Director / Deputy Managing Director	City Steel Pcl.
			King Monkut's University of Technology					
			Thonburi					
			- Director Accreditation Program (DAP)					
			61/2007					
Thai Institute of Director Association (IOD)								
6	Mr. Manop Chivatanasoonton	59	- M.A. : Social Development	0.12	-	2006 - Present	Independent Director / Chairman of the Audit Committee	City Steel Pcl.
			Kasetsart University					
			- B.Econ : Economics (Public Finance)			2012 - Present	Director, Bureau of Industrial Management Development	Bureau of Industrial Management Development, Department of Industrial Promotion
			Ramkhamhaeng University					
			- Director Accreditation Program (DAP)			2010 - 2012	Director, Bureau of Supporting Industrial Development	Bureau of Supporting Industrial Development , Department of Industrial Promotion
			27/2004					
			Thai Institute of Director Association (IOD)					

MANAGEMENT STRUCTURE

Details of the Directors and Executives as of July 31, 2014 (Cont.)

No.	Name	Age	Academic Qualifications	Percentage of Shares Holding	Family relationship among executives	Previous 5-Year Work Experiences		
						Period	Position	Organization
7	Mr. Anutara Tantraporn	43	- MA : Animation & Interactive Multimedia, Visual Communication RMIT University, Australia	-	-	2006 - Present	Independent Director / Audit Committee	City Steel Pcl.
			- Grad. DIP : Animation & Interactive Multimedia, Visual Communication RMIT University, Australia			2010 - Present	Executive Director	Hastin Kindergarten
			- Cert. DIP : Computer Aided Art & Design, School of Art and Design, RMIT University, Australia			2009 - Present	Vice President - ICT	Phraram 3 Honda Cars Company Limited
			- Director Accreditation Program (DAP) 61/2007, Thai Institute of Director Association (IOD)					
8	Mr. Pattarathon Thatsanasuwan	39	- LL.B. : Law, Ramkhamhaeng University	-	-	2006 - Present	Independent Director / Audit Committee	City Steel Pcl.
			- B.Sc. : Science, Chandrakasem Rajabhat University			2006 - Present	Partner, Lawyer, and Attorney at Law	PTM and Associate Limited Partnership Law Office.
			- Director Accreditation Program (DAP) 61/2007, Thai Institute of Director Association (IOD)			2010 - 2014	Consultant and Partner	Beyond 99 Insurance Broker Company Limited
						2006 - Present	Consultant	Thai Fitting Home Group Company Limited

MANAGEMENT STRUCTURE

Details of the Directors and Executives as of July 31, 2014 (Cont.)

No.	Name	Age	Academic Qualifications	Percentage of Shares Holding	Family relationship among executives	Previous 5-Year Work Experiences		
						Period	Position	Organization
9	Miss Walailuk Kuhapensang	51	- Upper Secondary School Metropolis Non-Formal Education Center - Director Accreditation Program (DAP) 27/2004, Thai Institute of Director Association (IOD)	0.00 ^{/1}	-	2006 - Present	General Manager - Core Function	City Steel Pcl.
10	Miss Boontip Phetruy	39	- BBA : Management, Accounting, Phuket Rajabhat University	0.00 ^{/1}	-	2006 - Present	General Manager - Support Function / Accounting and Financial Manager	City Steel Pcl.
11	Mrs. Parichard Phongratanadechachai	34	- BBA : Management, Accounting, Rajabhat Rajanagarindra University	-	Mr. Satit's spouse	2008 - Present	Company Secretary	City Steel Pcl.

Remark ^{/1} Hold 15 shares, equal to 0.000005%

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

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



MANAGEMENT STRUCTURE

Details of Subsidiaries' Directors

	Subsidiaries			
	Siam ISO Pro Company Limited	Mark Worldwide Company Limited	City Steel Products Company Limited	CT Universal Company Limited
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 Chivatanoonton	-	-	-	-
7. Mr. Anutara Tantraporn	-	-	-	-
8. Mr. Pattarathon Thatsanasuwan	-	-	-	-

Remark

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



CORPORATE GOVERNANCE

Corporate Governance Policy

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

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

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

Section 1 Rights of shareholders

As the Company realizes the important of the rights of shareholders, the Company shall avoid any actions that violates those rights. The Company also emphasizes on fair and equal treatment of shareholder rights by implementing the following procedures.

Shareholders' meeting

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

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

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

Procedures on the shareholders' meeting date

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

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



CORPORATE GOVERNANCE

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

Writing and releasing of the minutes of shareholders' meetings

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

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

Section 2 Equitable treatment of shareholders

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

Release of information before the shareholders' meeting

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

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

Protection of minor shareholders

1. The Company has determined criteria and processes on allowing minority shareholders to propose additional agenda and to nominate candidates to be elected as directors in advance before the meeting date by announcing via the Stock Exchange of Thailand and posting on the Company's website. For the 2014 Annual General Meeting of Shareholders, there was neither additional agenda nor candidate proposed by the minority shareholders.

2. The executive shareholders have not added additional agenda without advance notice especially for the issue that required times to consider before making decision.

Protection against abuse of inside information

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

Conflicts of interest by directors

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



CORPORATE GOVERNANCE



may have conflict of interests according to rules and regulations of the Stock Exchange of Thailand. Furthermore, in considering the transactions that may have conflicts of interest, the directors who have conflicts of interest will not be allowed to participate and vote in those particular agenda.

Section 3 Role of stakeholders

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

Shareholders

Beside a fair and an equitable treatment of shareholder rights including the rights to attend and vote in the meeting, the rights to receive dividend, and other rights specified in Section 1 and 2, the Company has also determined to operate the business with full ability and with caution in order to generate good operating results and optimize the shareholders' wealth. The Company has also assigned a communication channel for the shareholders to interact with the Company via the investor relation department, who will provide information about the Company, reply to the shareholders' inquiries, acknowledge opinions and recommendations, and accept complaints. The investor relation department can be contacted at the phone number (038) 782-064-68 or www.citysteelplc.com or ir@wkgpgroup.com.

Customers

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

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

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

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

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

Employees

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

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

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

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

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

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



CORPORATE GOVERNANCE

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

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

Trading Partners and Creditors

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

Competitors

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

Community, Society, and Environment

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

followed the environmental laws and regulations.

Beside operating business according to Corporate Governance Principles and responsible for all stakeholder, the Company has set a whistle-blowing policy by arranging communication channel for the stakeholders to suggest, complain, or inform of misconduct or inappropriate behavior or of unusual circumstances to independent directors. The stakeholders can contact the independent directors directly at the email address, compliance@citysteelpl.com or by fax to internal audit department at (038) 214-534. Also, the Company has disclosed more information regarding treatment of stakeholders in the Corporate Social Responsibility Report that published on the Company's website at www.citysteelpl.com.

Section 4 Disclosure and transparency

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

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

2. The Company has disclosed several important informations in the Annual Report and the Annual Registration Statement (Form 56-1) including Corporate Governance Principles, Business Ethics, Risk Management Policy, Corporate Social Responsibility Policy, Shareholders structure, Structure of the Group and Nature of Businesses, as well as the Audited Financial Statements and Management Discussion and Analysis and other related



informations. The Company believes that the disclosure of these informations will enable the investors to understand the changes that occurred each year and also sufficient for decision making. These informations can be accessed through the Stock Exchange of Thailand's website and the Company's website where current and previous year Meeting Invitations and Minutes of Meeting have been posted as well.

3. The Company has arranged the investor relation unit to provide information about the Company and response to the investors' inquiries. The shareholders, investors, analysts, or other related departments can contact the investor relation at the phone number (038) 782-064-68 or the website at www.citysteelpl.com or email address at ir@wkgp.com.

Section 5 Responsibilities of the Board

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

The Leadership and Vision

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

1. The Board of Directors participates in the formulation (or provides its approval) of the vision, mission, strategies, business plan, goals, and budget of the Company. They 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.

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

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

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

Ethics of the Board of Directors

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

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

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

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

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

Balance of power by Non-Executive Director

The Company appoints director to avoid allowing one person or group of people with authority to make decisions alone. These directors judge the effectiveness of management and build examination mechanisms and counter-



CORPORATE GOVERNANCE

balances. The Board of Directors in the Company consists of 8 directors who are

- Executive Director 4 members
- Non-Executive Director 4 members

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

Segregation of Duties

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 family related. However, the Company clearly divided scopes, roles, and responsibilities between the Chairman of the Board of Directors and the Chief Executive Officer (CEO). In addition, the Company has 3 Independent Directors, which facilitates a suitable balance and monitor management operation. Moreover, the Company has Internal Audit Department, which report directly to the Audit Committee and responsible for controlling and auditing the operation of the Company in accordance with its policy.

Serving of Director Position

The Company has set a policy regarding the holding of director positions in other companies to be conform to the Best Practices set by the Stock Exchange of Thailand, which allow the Company's director to hold directors position in other listed companies for not more than 5 companies. Additionally, the Company has defined the duration of being the Company's independent directors of not exceed 9 years.

Directors and Executives Remuneration

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

Directors Meeting

It is the Company policy to hold a directors meeting at least 4 times a year and additional meeting may be held

if appropriated. 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.

Sub-Committee

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

Report of the Board of Directors

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

The Board of Directors arranges the Audit Committee to review the Company's Financial Statements in terms of accuracy and adequacy, as well as the Company's internal control and internal audit system in terms of sufficiency and appropriateness. The Audit Committee that consisted of non-executives directors is responsible for the quality of financial reports and internal control systems.

The Audit Committee has an opinion that, the Company sufficiently and properly maintains internal control system and acceptable risk management, which in turn ensure that the financial statements are presented fairly and accurately.

Self-assessment of the Board of Directors

The Company conducts the board self-assessment to



CORPORATE GOVERNANCE



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

Directors' Development

- **Directors' Orientation**

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

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

- **Directors' Training**

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

- **Succession Planning**

The Company has assigned the executive directors to be responsible for formulating the succession plan in order to ensure that the Company has recruited and prepared qualified employees to fill in the positions that important to the Company's operations.

Supervision of the operation of subsidiary companies

Since the Company is a holding company that invests in 4 subsidiaries in the proportion of 99.99% and 100%, the Company has appointed representatives to become the subsidiaries' directors and executives. The appointed representatives have responsibilities to perform their duties for the best interest of the subsidiaries and the Company. In considering important matters, the representatives must be approved by the Company's Board of Directors in order to vote in the matters that have the same significant level as the issues that must be approved by the Company's Board of Directors. The appointment of the representatives to be the directors of the subsidiaries is based on the proportion of the Company's ownership in the subsidiaries.

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

Supervision of the Usage of Inside Information

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



CORPORATE GOVERNANCE

Details of the regulation concerning the inside information usages are as follow:

1. Directors, executives, and employee of the Company must keep the Company's secret and/or the Company's inside information.

2. Directors, executives, 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. Directors, executives, and employee of the Company must not buy, sell, transfer, or receive the transfer of Company's securities by using Company's secret and/or inside information. They must not engage in any legal activities by using Company's secret and/or inside information that may cause damage to the Company either directly or indirectly. Closed 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. Directors, executives, and employee of the Company must not buy, sell, transfer, or receive transfer of Company's securities for the period of 1 month before the Company's financial statements and other relevant information are disclosed to the public and 24 hours after those information are disclosed.

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

In addition, the Company has informed the executives about their duties to report the changes in holding of the Company's securities to the Securities and Exchange Commission according to Section 59 of the Securities and

Exchange Act B.E.2535 within 3 days after the changes in securities holding. Also, the executives have to inform the company secretary to record the changes and summarize securities holding of each individuals, which will be presented to the Board of Directors in the next meeting. The Company also has informed about penalties for violating these regulations.

Internal Control and Internal Audit System

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

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

In the Board of Directors meeting No. 3/2014 on September 26, 2014, the Company's directors together with 3 Audit Committees had evaluated the internal control system according to the guidelines of The Committee of Sponsoring Organizations of the Treadway Commission (COSO) revised 2013, by making inquiries to executives and internal audit department and reviewing the self-assessment form. The Board of Directors has concluded



CORPORATE GOVERNANCE



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

Besides assessing the sufficiency of the internal controls, the Audit Committee has also reviewed the financial statements for the year ended July 31, 2014, and has commented that the financial statements has been accurately presented and conform with generally accepted accounting principles.

Ms. Wannisa Ngambuathong, the Company's auditor from Dharmniti Auditing Company Limited, who has audited the Company's financial statements, has also evaluated the effectiveness of the Company's internal controls and found no significant weakness in the Company's internal control systems.



CORPORATE SOCIAL RESPONSIBILITY

CORPORATE SOCIAL RESPONSIBILITY

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

1. Good Corporate Governance

The Company is committed to competently and thoroughly operate the businesses and taken into account of the interest of all stakeholders by treating every group of stakeholders fairly and equally.

2. Fair Business Practices

The Company encourages fair business practices by avoiding or not supporting intellectual property infringement as well as respecting and following laws and regulations.

3. Respect Human Rights

The Company respect human rights and promotes equality by not discriminating in recruitment, not enforcing labor, and operating according to labor laws.

4. Employees Involvement

The Company encourages employees to participate in the Company's activities and assigns a communication channel to inform the employees of the Company's information as well as allows the employees to express their opinion through this channel.

5. Fair Employee Treatment

The Company is committed to fair treatment of employees regarding the determination of compensation and benefits, safety and working environment, along with development opportunity and career advancement.

6. Responsibility toward Customers

The Company determines to manufacture good quality products that meet customers' requirements at reasonable prices by emphasizing on providing greatest customer satisfaction.

7. Community Development

The Company is well aware of duties and responsibilities to society and communities by not causing any troubles to nearby communities and providing supports and assistance to surrounded communities.

8. Environmental Management

The Company creates core value of environmental protection and cultivates employees to aware of environmental preservation, energy conservation, and sustainable uses of resources.

Implementation of Corporate Social Responsibility in Business Processes

CSR implementation on environment and safety aspects

- The Company concerns about safety standard for both the Company's personnel and outside contractors who have to work in the Company. The Company has adjusted working environment in order to reduce accidents, also set a safety policy and created a goal to reduce accidents and injuries, which must not exceed 10 accidents per year and announced this policy and objective to all employees and contractors.
- The Company arranges safety training for new employees and assigns supervisors or group leaders to evaluate risks associated with their duties in order to determine solutions to correct these risks and safety issues. In addition, the Company also provides personal safety



CORPORATE SOCIAL RESPONSIBILITY



equipment for every employee that suitable to their tasks.

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

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

CSR implementation on social aspect

- Personnel development and concern of human rights

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

- Employee development

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

- 1) Arranges in house training, which is the training designed for the newcomers, who will be trained by

experienced personnel in each particular department.

- 2) Arranges outside training on a regular basis, which focuses on specific knowledge and technical skills that suit the tasks in each particular department such as computer training, production technology training, etc.

The Group's has set up a knowledge exchange project that is called "Learning and Teaching Organization Program". In this project, the experienced employees in each function will act as teachers to communicate their experiences and knowledge to students who are the employees from other functions. This project will facilitate the employees to understand the operation of other departments, and also help in developing additional skills, as well as promote good working relationship and enhance effectiveness of internal communication.

- Fair treatment of employees

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

- Responsibility towards customers

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

- Fair business practices

The Company has a policy to respect intellectual property and copyrights by avoiding and not supporting any actions that appear to violate the copyrights and



CORPORATE SOCIAL RESPONSIBILITY

intellectual property rights of other entities, which reflects the Company's intention of fair business practices. The Company respects and obeys the intellectual property laws and regulations by using only legal information technology and software.

Implementation of Corporate Social Responsibility for community development

- Collaboration in developing community and society

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

1. Awards annual scholarship to children in the community, who have good educational performances and good behaviors.
2. Supports the Cooperative Education Programs of several universities. For the Cooperative Education Program, the students have to apply for practical training with the Company, and to complete the training, the students have to submit work related projects to the universities. The Company has supported the projects by arranging area, allocating resources and equipment, providing guidance and advices, and funding the projects to help the students to accomplish their tasks.
3. Restores public roads in the community where the Company situated for the convenience and safety of the community.
4. Dredge waterway in the community prior to rainy season to help drain excess water and prevent flood.

Beside the policies and activities stated in this Annual Report, the Company has prepared the 2014 Corporate Social Responsibility Report that contained information about policies and activities of the Company and subsidiaries regarding social responsibility and anti-corruption practices. The CSR Report has been posted on the Company's website at www.citysteelpcl.com, so that all the stakeholders can easily and equally access to this information.



ANTI-CORRUPTION POLICY



Anti-Corruption Policy

The Company is committed to conducting business with transparency and within legal framework, ethical principles, and guidelines of good Corporate Governance, as well as supporting the fight against fraud and corruption in all forms. The Company is well aware that fraud and corruption can create adverse effects to the development of economy, society, and national security. The Company determines to operate the businesses with honesty and integrity and in accordance with laws and regulations, which applies to all business activities and decisions. The core value of anti-corruption has been established and communicated to all staffs, which help cultivating and creating the sense of anti-corruption among the employees. The Company strictly prohibits the employees or their representatives to give or receive bribes or other incentives in any forms, to or from other parties. Besides giving and accepting bribes are considered as a crime and illegal, the Company has also imposed penalties in case of the violation. The company has disclosed more information about anti-corruption in the Corporate Social Responsibility Report, which is published on the company's website at www.citysteelpcl.com.



REPORT OF THE AUDIT COMMITTEE

The Audit Committee of City Steel Public Company Limited consisted of 3 Independent Directors which are Mr. Manop Chivatanasoontorn, 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 2013/2014, 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 2013/2014 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 conformed to generally accepted accounting principles.

2) Evaluated suitability and efficiency of the Company's internal control systems and internal audit procedures, which include the internal control of overall operations, financial activities, and compliance, as well as risk management policies. As to their reviews, the Company's internal control systems and internal audit procedures were appropriate, adequate, and efficient.

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

4) Considered and selected the Company's auditors and proposed a nomination of Dharmniti Auditing Company Limited to be the Company's auditor for the year 2014/2015 and reviewed its relevant remuneration. The Audit Committee also held the meeting with the Auditor in order to be informed of the Auditor's opinions regarding the Company's internal control as well as financial statements.

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

6) Reviewed the operation of the Audit Committee by compared with the Best Practices provided by the Securities and Exchange Commission and the Stock Exchange of Thailand. According to the reviews, the Audit Committee had performed their duties efficiently and complied with the Best Practices. In addition, the Audit Committee also reviewed and assessed the operation of the Company's internal audit department, which the Audit Committee considered as appropriate and consistent with the proposed auditing plan.



7) 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, which during the year 2014/2015, the Audit Committee had focused on the Anti-Corruption and Corporate Social Responsibility policies.

8) Conducted the Audit Committee meetings for 4 times in the year 2013/2014, which attendance detail of each committee could be presented as follows:

- | | | |
|----------------------------------|---------------------------------|------------------------|
| 1. Mr. Manop Chivatanasontorn | Chairman of the Audit Committee | Attended 4 times (4/4) |
| 2. Mr. Anutara Tantraporn | Audit Committee | Attended 4 times (4/4) |
| 3. Mr. Pattarathon Thatsanasuwan | Audit Committee | Attended 4 times (4/4) |

In conclusion, during the year 2013/2014, the Audit Committee had employed their knowledge, competencies, and performed their duties independently and with due care to review information regarding financial reports and internal audits. The Audit Committee also encouraged the Company to perform its operation in accordance with Corporate Governance Policy and to employ suitable internal control systems by considering benefits of all stakeholders and the social as a whole. Additionally, the Audit Committee had given the management team valuable advices and suggestion regarding risk management and internal control systems in order to help fostering the Company's future business plans as well as prevention and possible solutions for the Company's relevant risk factors.

Mr. Manop Chivatanasontorn
Chairman of the Audit Committee

RELATED PARTY TRANSACTIONS

Amount and Ending Balances of Related Party Transactions

Person / Juristic Person who may have conflicts of interests	Relationship	Transaction Details	Transaction Amounts (THB Million)		Audit Committee' opinion on Related Party Transactions, and necessity and appropriateness of the transactions
			Year 2012/2013	Year 2013/2014	
1 Siam C.T.P. Industrial Co., Ltd. Business: Manufacturing and sales of metal automotive accessories Address: 88 Moo 4 Bypass Road, Nongmaidaeng, Muang, Chonburi, 20000	- 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	1.46	1.43	Mark Worldwide Co., Ltd. has purchased electricity from Siam C.T.P. Industrial Co., Ltd. Actual volume of electricity used is calculated from the meter volume at the power generator and rate for electricity expenses is the rate that Provincial Electricity Authority charges to Siam C.T.P. Industrial Co., Ltd. plus margin. Audit Committee' opinion: These transactions were appropriately and fairly determined in both commercial terms and pricing policy, and generate benefits to the Company.

RELATED PARTY TRANSACTIONS

Amount and Ending Balances of Related Party Transactions (Cont.)

Person / Juristic Person who may have conflicts of interests	Relationship	Transaction Details	Transaction Amounts (THB Million)		Audit Committee' opinion on Related Party Transactions, and necessity and appropriateness of the transactions
			Year 2012/2013	Year 2013/2014	
2 WKP Asset Plus Co., Ltd. Business: Property Development Address: 88/8 Moo.4 Bypass Road, Nongmaidaeng, Muang, Chonburi, 20000	- WKP Asset Plus Co., Ltd. is the Holding Company by holding the Company's shares of 166.50 million shares, accounted for 55.50% of the registered capital.	(1) The Company - Rent Expenses	0.04	0.04	The Company has rented office buildings from WKP Asset Plus Co., Ltd. with total area of 576 square meters. Rental period is 3 years from August 1, 2013 to July 31, 2016. Rent expenses were similar to market price of other properties in the same area.
	- Phongratanadechachai family is the major shareholders of WKP Asset Plus Co., Ltd. with 100% proportion of total shares. In addition Mr. Wibool Phongratanadechachai, Mr. Komgrich Phongratanadechachai, Mr. Satit Phongratanadechachai, Miss Suputra Phongratana dechachai, and Mrs. Kheng Phongratanadechachai, Mr.Wibool Phongratanadechachai's spouse, total of 5 persons are the directors of WKP Asset Plus Co., Ltd.	(2) Siam ISO Pro Co.,Ltd - Rent Expenses	0.01	0.01	Siam ISO Pro Co., Ltd. has rented office buildings from WKP Asset Plus Co., Ltd. with total area of 96 square meters. Rental period is 3 years from August 1, 2013 to July 31, 2016. Rent expenses were similar to market price of other properties in the same area.
		(3) Mark Worldwide Co.,Ltd - Rent Expenses	0.59	0.59	Mark Worldwide Co., Ltd. has rented office buildings and factories (Branch 1) 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 3 years from August 1, 2013 to July 31, 2016. Rent expenses were similar to market price of other properties in the same area.
					Audit Committee' opinion: These transactions were appropriately and fairly determined in both commercial terms and pricing policy, and generate benefits to the Company.



RELATED PARTY TRANSACTIONS

Measurement or Procedure for the Approval of Connected Transaction

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

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

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

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 2013/2014 were reasonable 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 present in the annual report as well.

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



MANAGEMENT DISCUSSION AND ANALYSIS

Operating Results and Financial Position Analysis

Operating Results

Operating Results Overviews

The Group's revenues primarily derived from the manufacturing and sales of metal products and can be classified by characteristics and usages of the products into 2 categories which are

1) Metal Structures, Storage Systems and Material Handling Equipments, and Other Metal Products and
2) Metal Parts and Fabricated Metal Products along with One-Stop Steel Processing Services. The Group also generated some revenues for sales of Industrial Materials and Equipments used in factories.

The Group's total revenues in 2011/2012, 2012/2013, and 2013/2014 were THB 728.19 million, THB 701.21 million, and THB 767.35 million which decreased by 3.71% in 2012/2013 and increased by 9.43% in 2013/2014. During the year 2013/2014, the Group's total revenues increased by THB 66 million since political condition became more stable. Beside, the policies to improve the infrastructures and the repayment of rice-pledging projects, also boosted people's incomes and stimulated domestic consumption, which created confidence among industrial sectors to expand their production capacities and increase their investments and consequently contributed to an increase in demands for the Group's products.

The Group's expenses consisted of the followings:

- Cost of sales and services were THB 534.39 million, THB 519.92 million, and THB 557.43 million in 2011/2012, 2012/2013, and 2013/2014 attributable to 73.39%, 74.15%, and 72.64% of total revenues.

- Selling expenses were THB 9.46 million in 2011/2012, THB 8.40 million in 2012/2013, and THB 9.64 million in 2013/2014, equaled to 1.30%, 1.20%, and 1.26% of total revenues respectively.

- Administrative expenses were THB 34.69 million,

THB 38.37 million, and THB 42.49 million which equaled to 4.76%, 5.47%, and 5.54% of total revenues in 2011/2012, 2012/2013, and 2013/2014.

- Director and management remuneration were THB 8.01 million, THB 8.10 million, and THB 8.12 million in 2011/2012, 2012/2013, and 2013/2014 which equaled to 1.10%, 1.16%, and 1.06% of total revenues.

Net incomes for the accounting period 2011/2012, 2012/2013, and 2013/2014 were THB 139.60 million, THB 125.25 million, and THB 148.58 million accounted for 19.06%, 17.86%, and 19.36% of total revenues.

Revenues

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

- Revenues from manufacturing and sales of Metal Structures, Storage Systems and Material Handling Equipments, and Other Metal Products made up the highest portion of total revenues compared to revenues from other categories, which equaled to 69.29%, 69.06%, and 76.20% of total revenues in 2011/2012, 2012/2013, and 2013/2014.

- Revenues from manufacturing and sales of Metal Parts and Fabricated Metal Products and rendering of World Class Steel Services accounted for 30.00%, 30.22%, and 23.00% of total revenues in 2011/2012, 2012/2013, and 2013/2014.

- Revenues from sales of Industrial Materials and Equipments equaled to 0.02% and less than 0.01% of total revenues in 2011/2012 and 2012/2013. For the year 2013/2014, the Group did not have revenues from this type of products since the Group had focused to sell more of capital goods including Metal Structures and Storage Systems and Material Handling Equipments to facilitate an expansion of industrial sectors as the economy started to pick up.

Almost all revenues from these 3 activities derived



MANAGEMENT DISCUSSION AND ANALYSIS

from domestic sales. The export revenues were originated from sales of Metal Structures, Storage Systems and Material Handling Equipment, and Other Metal Products. Export revenues were relatively low compared to revenues from products sold domestically. Export revenues were THB 0.43 million, THB 7.29 million, and THB 10.21 million or equaled to 0.06%, 1.04%, and 1.33% of total revenues in 2011/2012, 2012/2013, and 2013/2014, respectively.

In the year 2012/2013, after the government support, recovery, and stimulus policies had ended coupled with global economy that were still in recession, caused domestic economy to slow down. Private investment and industrial expansion had declined, which can be indicated by a continuously decrease of the Bank of Thailand's Private Investment Index since February which was in the third quarter of the Group's accounting period. As the industrial sector had postponed or delayed investment, particularly the automotive sector which was the Group's major customers, demands for the Group's products had diminished and consequently caused a decrease in the Group's sales and services revenues. Furthermore, a decrease in domestic steel price in the year 2012/2013 by around 11% from the year 2011/2012 was also another influence that brought down the Group's sales and services revenues. In the year 2012/2013, sales and services revenues were THB 696.13 million dropped from those in the year 2011/2012 by THB 27.04 million or 3.74%.

However, in the year 2013/2014, after the end of a prolonged political rallies and uncertain political conditions that started since the end of 2013 and continued to the beginning of 2014, the domestic economy began to recover. Moreover, the government's stimulus policies to develop fundamental infrastructures and transportation systems, the acceleration of approval process for BOI projects, the reduction of processing time to issue the industrial certificates, as well as the repayment of

rice-pledging project, had contributed to a recovery in domestic economy. An investment in industrial sector to support the opening of the AEC was another factor that contributed to the economic recovery, which helped in boosting demands for the Group's products. Because of these factors, the Group's sales and services revenues had increased by THB 65.11 million or 9.35% to THB 761.24 million in the year 2013/2014.

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 that included depreciation of plants, machines, tools, and equipment used in production. For the year 2013/2014, cost of sales and services were THB 557.43 million increased by THB 37.51 million or 7.21% from THB 519.92 million in 2012/2013, which corresponded with an increase in sales and services revenues.

However, the proportion of cost of sales and services to total revenues for the year 2013/2014 was 72.61% slightly decreased from 74.15% in the year 2012/2013. Since some of the costs of sales and services were fixed cost and because of an efficiency in cost management, the costs of sales and services did not increase in the same pace as the revenues did, which resulted in a decrease in the proportion of the Group's cost of sales and services to total revenues.

As a result of the increase in sales and services revenues and the expansion of domestic economy, along with the decrease in the proportion of the Group's cost of sales and services to total revenues that derived from the efficiency in cost management, the Group's gross profits had increased from THB 176.21 million in the year 2012/2013 by THB 27.60 million or 15.66% to THB 203.81 million in the year 2013/2014. The Group's gross profit margin for the year 2013/2014 were 26.77%, slightly increase from 25.31% in the year 2012/2013.



MANAGEMENT DISCUSSION AND ANALYSIS



Selling and Administrative Expenses and Finance Cost

For the period 2013/2014, the Group's selling expenses were THB 9.64 million with the proportion to total revenues of 1.26%, slightly increase from the selling expenses in the year 2012/2013 that had expenses of THB 8.40 million and the proportion to total revenues of 1.20%. The increase in selling expenses in the year 2013/2014 was corresponded with an increase in total revenues. For the administrative expenses, the Group had spent THB 42.49 million in the year 2013/2014 increased by 10.77% or THB 4.13 million from THB 38.36 million in 2012/2013. Also, the proportion of administrative expenses to total revenues increased from 5.47% in 2012/2013 to 5.54% in 2013/ 2014. The increase in administrative expenses primarily due to an increase in fixed expenses including depreciation expenses of building and vehicles as well as employee related expenses. Director and management remuneration for the year 2013/2014 were THB 8.12 million, which closed to THB 8.10 million in the year 2012/2013.

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. Therefore, the Group did not incur any finance cost. However, in the year 2012/2013 and 2013/2014, the Group incurred a finance cost which related to discounted interests on the obligations of employee benefits plan amounted to THB 0.03 million in each year, 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 2011/2012, 2012/2013, and 2013/2014 the Group's net profits were THB 138.75 million, THB 125.24 million, and THB 148.58 million, with net profit

margins of 19.06%, 17.86%, and 19.36% respectively. The Group's net profits decreased by 9.73% in 2012/2013, and increased by 18.64% in 2013/2014. The increase in net profits in the year 2013/2014 primarily due to a resolve of political conflicts and economic stimulation policies of the government that encourage investments and expansion in industrial sector and created demands for capital goods including Metal Structures, Storage Systems, and Material Handling Equipments. As a result, the Group's total revenues had improved and subsequently raised the Group's net profits in the same direction.

Financial Position

Assets

As at 31 July 2014, the Group's total assets were THB 1,246.69 million, which primarily consisted of properties, plants, and equipment accounted for THB 535.22 million or equal to 42.93% of total assets. Major parts of properties, plants, and equipment derived from investment in factories, office buildings, and machines of subsidiaries. Additionally, cash and cash equivalents amounted to THB 506.21 million accounted for 40.61% 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 reserved for the Group's future investment.

In the year 2013/2014, the Group's total assets increased by THB 132.60 million or increased by 11.90% compared to those in the accounting period 2012/2013, which as at July 31, 2013 had a value of THB 1,114.09 million. The increase in the Group's total assets mainly derived from an increase in cash and cash equivalents that originated from net profits and cash flow from operating activities that accumulated over the year.



MANAGEMENT DISCUSSION AND ANALYSIS

Quality of Assets

• Trade Accounts Receivable - Net

The Group employs very cautious credit policies and considers many 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 July 31, 2013, the Group's outstanding trade accounts receivables were THB 105.67 million, and as at July 31, 2014 were THB 76.66 million, which decreased by THB 29.01 million or equal to 27.45%. 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 July 31, 2013 and 2014 were presented as follows:

(Unit : THB Thousand)

Trade accounts receivable	As at July 31, 2013	As at July 31, 2014
Current receivables	63,491	60,210
Past due less than 3 months	42,177	16,452
Past due 3 months to 6 months	-	-
Less: Allowance for doubtful accounts	-	-
Trade accounts receivables - net	105,668	76,662

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 2012/2013 and 2013/2014. 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 was 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 July 31, 2014, the Group's inventory balance was THB 19.79 million, which decreased from the balance as at July 31, 2013 of THB 34.08 million by THB 14.29 million or 41.93%. A reduction in total inventory level mainly caused by an efficiency in production processes and inventory management as well as a stability in raw materials prices. According to that, the Group had purchased raw materials at the quantities needed to use in production processes in order to reduce cost of inventory management.



MANAGEMENT DISCUSSION AND ANALYSIS



The Group's inventory balances as at July 31, 2013 and July 31, 2014 were presented below:

(Unit : THB Thousand)

Inventory	As at July 31, 2013	As at July 31, 2014
Finished products	648	646
Work in process	947	1,018
Raw materials and supplies	32,486	18,130
Total	34,081	19,794

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

- **Unused Assets**

The Group had unused assets with net book value as at July 31, 2014 of THB 33.54 million, which primarily consisted of office building under construction and machines under installation of City Steel Products. The Group also has investment property that is a plot of land of Siam ISO Pro with the book value of THB 18.10 million. This plot of land had appraised by independent appraiser by using market approach at the fair value of THB 20.96 million. At present, this land has not yet been used in business operation.

Liquidity

For the period 2013/2014 the Group's net cash flows from operating activities were THB 278.73 million, grew by THB 127.40 million or equal to 84.19% compare to the year 2012/2013 that had operating cash flows of THB 151.33 million. A growth in cash flows from operating activities primarily due to a rise in incomes before tax and a decrease in trade accounts receivable and inventory. Furthermore, an increase in trades account payable and other current liabilities that consisted of deposits received for goods, also accounted for a rise in operating cash flows

The Group's liquidity ratios equaled to 11.09 times, 22.78 times, and 13.03 times and quick ratios equaled to 10.36 times, 21.20 times, and 12.60 times in 2011/2012, 2012/2013, and 2013/2014, 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 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 17.83 days in 2012/2013 and 13.37 days in 2013/2014. For average age of inventory, the Group's average age of inventory equaled to 17.40 days in 2013/2014, which was comparable to 20.74 days in 2012/2013. In addition, the Group's average collection period slightly decreased from 53.43 days in 2012/2013 to 43.11 days in 2013/2014. 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 THB 25.42 millions in the year 2013/2014 reduced from THB 53.42 million in the year 2012/2013. A decrease in cash flows used in investing activities caused by a reduction in investment of fixed assets of the subsidiary, since construction of production facilities and purchase of major machines were almost completed, only investment for some sorts of machines that would be used to improve production



MANAGEMENT DISCUSSION AND ANALYSIS

efficiency was remained.

The Group's net cash flows used in financing activities for the year 2013/2014 were THB 48.00 million, which were the amounts of annual dividend payment to the shareholders.

Suitability of Capital Structures

As at July 31, 2014, shareholders' equity of the Group was THB 1,191.88 million increased from July 31, 2013 that had shareholders' equity amount of THB 1,089.69 million by THB 102.19 million or equal to 9.38%. An increase in shareholders' equity mainly due to an increase in retained earnings. The Group's debt to equity ratios were minimal, equaled to 0.02 times in the year 2012/2013 and 0.05 times 2013/2014 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

Almost 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 expense to be paid for usual business operation. In the year 2013/2014, the Group's short-term liabilities were THB 52.98 million raised by THB 29.90 million from THB 23.08 million in the year 2012/2013 due to an increase in trade accounts payable and advanced deposits received for goods at the end of the accounting period.

The major sources of funds for business expansion derived from internal sources. Therefore, The Group did not have any long-term loans from external sources or short-term borrowings from financial institution. Nonetheless, during the year 2012/2013 and 2013/2014, the Group did have non-current liabilities of THB 1.32 million and THB 1.83 million. The non-current liabilities were

deferred tax liabilities and employee benefits obligation that is severance payment to employees upon retirement under the Company's article and labor law. The Group had adopted the deferred tax liabilities according to the Thai Accounting Standard 12 (TAS12), Income Tax and had determined employee benefits according to Thai Accounting Standard 19 (TAS19), Employee Benefits.

Factors or Events That May Affects Future Financial Position and Operating Results

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

Additionally, fluctuation of steel price is also one of the factors that have influences on the Group's operating results since the main materials used in manufacturing the Group's products are steel and metal, which accounted for 63.33% of cost of goods sold in the year 2013/2014. As the Group employs cost-plus pricing policy to calculate the selling price, if the steel price goes up, cost of sales will increase and subsequently drive up the sales revenues. Contrary, if the steel price decreases, cost of sales and revenues will decline correspondingly. Therefore, the Group has to regularly observe the trend of steel price along with other related factors including economic



MANAGEMENT DISCUSSION AND ANALYSIS



condition, domestic and global demands and supplies of steel, government policies regarding import duty and anti-dumping, temporarily stop production of domestic steel manufacturers, as well as unpredictable natural disasters in order to assess situation and adapt business policies to response with the particular situation.

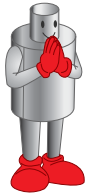
Auditor Remuneration

Audit Fees

During the year 2013/2014, the Company and its subsidiaries paid audit fees to Dharmniti Auditing Company Limited at the amount of THB 1,145,000.

Other Non-Audit Fees

During the year 2013/2014, the subsidiary paid other non-audit fees regarding special purpose audit fees for the audit of the operation according to the conditions of the Board of Investment (BOI) to the Company's auditor at the amount of THB 40,000.



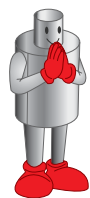
REPORT OF THE BOARD OF DIRECTOR'S RESPONSIBILITIES FOR FINANCIAL STATEMENTS

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

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

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

Mr. Wibool Phongratanadechachai
Chairman of the Board of Directors



AUDITOR OF REPORT

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

I have audited the accompanying consolidated financial statements of City Steel Public Company Limited and its subsidiaries, which comprise the consolidated statement of financial position as at July 31, 2014, and the consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and the separate financial statements of City Steel Public Company Limited, which comprise the statement of financial position as at July 31, 2014, and the statement of comprehensive income, statement of changes in shareholder's equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the consolidated financial statements of City Steel Public Company Limited and its subsidiaries and the separate financial statement of City Steel Public Company Limited referred to above present fairly, in all material respects, the financial position as at July 31, 2014, and the financial performance and cash flows for the year then ended in accordance with the Financial Reporting Standards.

Emphasis of Matter

I draw attention to Note 3.2 to the financial statements. In presenting the financial statements the year ended July 31, 2014, the Company and its subsidiaries has adopted new financial reporting standards issued by the Federation of Accounting Professions (FAP) which are effective from the period beginning on or after January 1, 2013. The effect of changing in accounting policy has been described in Note 3.3 to the financial statements. The comparative information presented herewith has been restated on this matter. My opinion to the financial statements is not qualified in respect of this matter.

Wannisa Ngambuathong

(Miss. Wannisa Ngambuathong)
Certified Public Accountant
Registration No. 6838

Dharmniti Auditing Company Limited
Bangkok, Thailand
September 26, 2014
2014/953/1086

THE STATEMENTS OF FINANCIAL POSITION

CITY STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES THE STATEMENTS OF FINANCIAL POSITION AS AT JULY 31, 2014

ASSETS

(Unit : Baht)

	Note	Consolidated financial statements			Separate financial statements		
		As at July 31, 2014	As at July 31, 2013 (Restated)	As at August 1, 2012	As at July 31, 2014	As at July 31, 2013 (Restated)	As at August 1, 2012
CURRENT ASSETS							
Cash and cash equivalents	6	506,210,603	300,895,114	250,992,799	13,917,652	18,195,570	7,591,291
Investments in available-for-sale securities	7	84,631,630	82,619,747	80,523,369	-	-	-
Trade accounts receivable	8						
Related parties	5	-	-	-	3,549,586	3,665,328	3,095,585
Other parties		76,661,863	105,668,474	100,982,676	352,298	3,146,750	8,359,648
Inventories	9	19,793,902	34,080,650	25,829,140	-	783,861	823,836
Other current assets							
Advance paid for goods		2,106,000	-	2,250	-	-	-
Input tax refundable		161,691	1,794,880	4,540,412	-	-	-
Others		934,803	662,113	299,880	629,652	241,539	107,161
TOTAL CURRENT ASSETS		690,500,492	525,720,978	463,170,526	18,449,188	26,033,048	19,977,521
NON-CURRENT ASSETS							
Restricted deposits at financial institutions	10	2,446,544	2,413,014	2,376,252	1,843,670	1,815,848	1,784,942
Investments in subsidiaries	11	-	-	-	623,869,860	623,869,860	623,869,860
Investment property	12	18,100,000	18,100,000	18,100,000	-	-	-
Advance for machinery		125,000	-	-	-	-	-
Property, plant and equipment	13	535,223,155	567,294,284	569,024,039	2,693,429	2,936,856	4,204,413
Intangible assets	14	222	4,595	439,473	211	211	242,193
Deferred tax assets	3.3, 15	283,625	346,571	365,247	169,970	187,505	157,167
Other non-current asset		13,000	213,000	200,500	-	-	-
TOTAL NON-CURRENT ASSETS		556,191,546	588,371,464	590,505,511	628,577,140	628,810,280	630,258,575
TOTAL ASSETS		1,246,692,038	1,114,092,442	1,053,676,037	647,026,328	654,843,328	650,236,096

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.) AS AT JULY 31, 2014

LIABILITIES AND SHAREHOLDERS' EQUITY

(Unit : Baht)

	Note	Consolidated financial statements			Separate financial statements		
		As at July 31, 2014	As at July 31, 2013 (Restated)	As at August 1, 2012	As at July 31, 2014	As at July 31, 2013 (Restated)	As at August 1, 2012
CURRENT LIABILITIES							
Trade accounts payable							
Related parties	5	135,173	146,665	139,100	858,678	10,785,359	9,093,135
Other parties		25,293,782	15,838,477	35,390,020	48,322	80,562	72,685
Other current liabilities							
Advance received for goods		23,685,922	2,231,150	1,794,612	-	-	-
Corporate income tax payable		148,864	214,582	707,124	-	-	82,241
Others		3,715,872	4,646,255	3,717,548	913,214	851,405	890,044
TOTAL CURRENT LIABILITIES		52,979,613	23,077,129	41,748,404	1,820,214	11,717,326	10,138,105
NON-CURRENT LIABILITIES							
Defered tax liabilities	3.3, 15	923,298	520,921	171,123	-	-	-
Employee benefit obligations	16	913,276	807,443	705,927	344,999	304,841	267,296
TOTAL NON-CURRENT LIABILITIES		1,836,574	1,328,364	877,050	344,999	304,841	267,296
TOTAL LIABILITIES		54,816,187	24,405,454	42,625,454	2,165,213	12,022,167	10,405,401

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.) AS AT JULY 31, 2014

LIABILITIES AND SHAREHOLDERS' EQUITY (CONT.)

(Unit : Baht)

	Note	Consolidated financial statements			Separate financial statements		
		As at July 31, 2014	As at July 31, 2013 (Restated)	As at August 1, 2012	As at July 31, 2014	As at July 31, 2013 (Restated)	As at August 1, 2012
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	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	300,000,000	
Premium on ordinary shares		166,145,195	166,145,195	166,145,195	166,145,195	166,145,195	
Difference on reorganization of entities							
under common control	2.3	(15,380,000)	(15,380,000)	(15,380,000)	-	-	
Retained earnings							
Appropriated - statutory reserve		30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	
Unappropriated		707,417,464	606,838,069	529,600,897	148,715,920	143,685,500	
Unrealized gain on remeasuring							
available for sale investment	7	3,693,192	2,083,685	684,491	-	-	
Equity attributable to the equity of parent		1,191,875,851	1,089,686,949	1,011,050,583	644,861,115	642,821,161	
Non-controlling interests		-	-	-	-	-	
TOTAL SHAREHOLDERS' EQUITY		1,191,875,851	1,089,686,949	1,011,050,583	644,861,115	642,821,161	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,246,692,038	1,114,092,442	1,053,676,037	647,026,328	650,236,096	

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

THE STATEMENTS OF COMPREHENSIVE INCOME

CITY STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES THE STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JULY 31, 2014

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2014	2013 (Restated)	2014	2013 (Restated)
REVENUES					
Sales		751,679,293	685,536,559	30,659,662	38,379,895
Service income		9,562,334	10,590,828	191,040	1,917,394
Management income		-	-	12,701,400	12,495,150
Dividend income		-	-	49,409,996	49,979,986
Other income		6,109,118	5,078,956	14,048,906	6,147,996
Total revenues		767,350,745	701,206,343	107,011,004	108,920,421
EXPENSES					
Cost of sales and services		557,428,868	519,914,458	30,019,220	37,804,343
Selling expenses		9,642,074	8,399,848	204,188	190,677
Administrative expenses		42,490,512	38,362,659	18,408,146	11,514,766
Management benefit expenses		8,119,685	8,101,830	8,119,685	8,101,830
Finance cost		31,565	28,579	12,407	10,879
Total expenses		617,712,704	574,807,374	56,763,646	57,622,495
Profit before income tax		149,638,041	126,398,969	50,247,358	51,297,926
Income tax expenses	15	1,058,646	1,163,397	207,404	309,060
Profit for the year		148,579,395	125,235,572	50,039,954	50,988,866
Other comprehensive income					
Unrealized gain on remeasuring available for sale investments, net of tax		1,609,507	1,399,194	-	-
Other comprehensive income for the year		1,609,507	1,399,194	-	-
Total comprehensive income for the year		150,188,902	126,634,766	50,039,954	50,988,866
Profit attributable to					
Equity holder of parent (99.99%)		148,579,395	125,235,572	50,039,954	50,988,866
Non-controlling interests (0.01%)		-	-	-	-
		148,579,395	125,235,572	50,039,954	50,988,866
Total comprehensive income attributable to					
Equity holder of parent (99.99%)		150,188,902	126,634,766	50,039,954	50,988,866
Non-controlling interests (0.01%)		-	-	-	-
		150,188,902	126,634,766	50,039,954	50,988,866
Earnings per share					
Profit for the year (Unit : Baht)		0.50	0.42	0.17	0.17
Weighted average number of ordinary share (Share)		300,000,000	300,000,000	300,000,000	300,000,000

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

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

CITY STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED JULY 31, 2014

(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 - net tax				
				Appropriated - statutory reserve	Unappropriated		Total			
	Beginning balance, as at August 1, 2012 - as previously reported	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
	Adjustment									
	The cumulative effect of change in accounting policy on income tax									
3.3		-	-	-	-	365,247	(171,123)	194,124	-	194,124
	Balance, as at August 1, 2012 - as restated	300,000,000	166,145,195	(15,380,000)	30,000,000	529,600,897	684,491	1,011,050,583	-	1,011,050,583
	Change in shareholders' equity for the year									
3.3	Total comprehensive income for the year - (restated)	-	-	-	-	125,235,572	1,399,194	126,634,766	-	126,634,766
18	Dividend paid	-	-	-	-	(47,998,400)	-	(47,998,400)	-	(47,998,400)
	Ending balance, as at July 31, 2013	300,000,000	166,145,195	(15,380,000)	30,000,000	606,838,069	2,083,685	1,089,686,949	-	1,089,686,949
	Change in shareholders' equity for the year									
	Total comprehensive income for the year	-	-	-	-	148,579,395	1,609,507	150,188,902	-	150,188,902
18	Dividend paid	-	-	-	-	(48,000,000)	-	(48,000,000)	-	(48,000,000)
	Ending balance, as at July 31, 2014	300,000,000	166,145,195	(15,380,000)	30,000,000	707,417,464	3,693,192	1,191,875,851	-	1,191,875,851

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

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

CITY STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONT.) FOR THE YEAR ENDED JULY 31, 2014

(Unit : Baht)

หมายเหตุ	Separate financial statements				Total
	Issued and paid-up share capital	Share premium	Retained earnings		
			Appropriated - statutory reserve	Unappropriated	
Beginning balance, as at August 1, 2012 - as previously reported	300,000,000	166,145,195	30,000,000	143,528,333	639,673,528
Adjustment					
The cumulative effect of change in accounting policy on income tax	3.3	-	-	157,167	157,167
Balance, as at August 1, 2012 - as restated	300,000,000	166,145,195	30,000,000	143,685,500	639,830,695
Change in shareholders' equity for the year					
Total comprehensive income for the year - (restated)	3.3	-	-	50,988,866	50,988,866
Dividend paid	18	-	-	(47,998,400)	(47,998,400)
Ending balance, as at July 31, 2013	300,000,000	166,145,195	30,000,000	146,675,966	642,821,161
Change in shareholders' equity for the year					
Total comprehensive income for the year		-	-	50,039,954	50,039,954
Dividend paid	18	-	-	(48,000,000)	(48,000,000)
Ending balance, as at July 31, 2014	300,000,000	166,145,195	30,000,000	148,715,920	644,861,115

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 FOR THE YEAR ENDED JULY 31, 2014

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013 (Restated)	2014	2013 (Restated)
Cash flows from operating activities				
Profit before corporate income tax	149,638,041	126,398,969	50,247,358	51,297,926
Adjustments to reconcile to net cash provided by (used in) operating activities: -				
Depreciation and amortization	63,357,844	58,843,225	243,427	608,533
Gain on sales of investments in available-for-sale securities	-	(347,385)	-	-
Loss on unclaimed withholding tax	214,440	6,551	199,469	-
Loss (gain) on sales of fixed assets	(144,859)	(48,719)	-	(52)
Loss on write-off fixed asset	-	414,275	-	1,881
Employee benefit obligations	74,268	72,937	27,751	26,666
Dividend income from investments in subsidiaries	-	-	(49,409,996)	(49,979,986)
Interest income	(5,878,831)	(3,655,279)	(133,031)	(135,620)
Finance cost	31,565	28,579	12,407	10,879
Profit from operating activities before changes in operating assets and liabilities	207,292,468	181,713,153	1,187,385	1,830,227
(Increase) decrease in operating assets				
Trade accounts receivable	29,006,611	(4,685,798)	2,910,195	4,643,155
Inventories	14,286,748	(8,251,509)	783,861	39,976
Other current assets	(369,599)	2,593,437	2,759	65,090
Other non-current assets	200,000	(12,500)	-	-
Increase (decrease) in operating liabilities				
Trade accounts payable	9,443,813	(19,543,978)	(9,958,921)	1,700,101
Other current liabilities	20,524,390	1,365,243	61,808	(38,639)
Cash received from (used in) operating activities before corporate income taxes	280,384,431	153,178,048	(5,012,913)	8,239,910
Income taxes paid	(1,651,760)	(1,851,702)	(780,210)	(621,108)
Net cash flows provided by (used in) operating activities	278,732,671	151,326,346	(5,793,123)	7,618,802

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 YEAR ENDED JULY 31, 2014

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013 (Restated)	2014	2013 (Restated)
Cash flows from investing activities				
Increase in deposits restricted at financial institutions	(33,530)	(36,762)	(27,822)	(30,906)
Proceeds from sales of fixed asset	144,860	116,075	-	899,177
Interest received	5,878,831	3,655,279	133,031	135,620
Dividend received	-	-	49,409,996	49,979,986
Cash paid for purchases of fixed assets	(31,282,343)	(57,160,223)	-	-
Cash paid for advance - machinery	(125,000)	-	-	-
Net cash flows provided by (used in) investing activities	(25,417,182)	(53,425,631)	49,515,205	50,983,877
Cash flows from financing activities				
Dividend paid	(48,000,000)	(47,998,400)	(48,000,000)	(47,998,400)
Net cash flows provided by (used in) financing activities	(48,000,000)	(47,998,400)	(48,000,000)	(47,998,400)
Net increase (decrease) in cash and cash equivalents	205,315,489	49,902,315	(4,277,918)	10,604,279
Cash and cash equivalents at beginning of the years	300,895,114	250,992,799	18,195,570	7,591,291
Cash and cash equivalents at end of the years	506,210,603	300,895,114	13,917,652	18,195,570
Supplemental cash flows information: -				
1. Cash and cash equivalents consisted of: -				
Cash on hand	647,404	743,097	69,971	78,690
Cash at bank				
- Saving account	401,913,468	199,033,691	13,472,996	18,041,722
- Current account	639,105	107,852	364,059	64,684
- Fixed deposit 3 months	103,010,626	101,010,474	10,626	10,474
	506,210,603	300,895,114	13,917,652	18,195,570

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 JULY 31, 2014

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 Nongmairdaeng, Amphur Muang, Chonburi.

(b) Nature of the Company's business

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

(c) Major shareholder Name

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

2. BASIS FOR CONSOLIDATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

Company's name	Nature of business	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 year ended	
		July 31 2014	July 31 2013	July 31 2014	July 31 2013	July 31 2014	July 31 2013
Siam ISO Pro Co., Ltd	Sale of metal products and industrial materials and equipments	99.99	99.99	12.06	13.34	0.22	0.40
Mark Worldwide Co., Ltd	Manufacture and sale of metal products	99.99	99.99	28.51	31.89	24.10	30.78
City Steel Products Co., Ltd	Manufacture and sale of metal products	99.99	99.99	57.86	52.33	71.74	63.05
CT Universal Company Limited		100.00	-	-	-	-	-

2.2 Material balances and transactions between the Company and its subsidiaries have been eliminated from the consolidated financial statements.

2.3 The excess of the acquisition cost of the investment in subsidiary under common control over the fair value of the subsidiary's net assets as at the acquisition date is shown as a separate item in shareholders' equity under the caption "Difference on reorganization of entities under common control" in the consolidated financial statements.

3. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

3.1 Basis for the preparation of financial statements

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

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

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

3.2 Accounting standards effective for using in current year

The Federation of Accounting Professions (FAP) has issued Notifications to mandate the use of the revised 2009, and the newly issued of accounting standards, financial reporting standards, the interpretations, and accounting treatment guidance of which they are effective for using in the periods beginning on or after January 1, 2013, as follows.

TAS 12	Income Taxes
TAS 20 (revised 2009)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates
TFRS 8	Operating Segments
SIC 10	Government Assistance - No Specific Relation to Operating Activities
SIC 21	Income Taxes - Recovery of Revalued Non-Depreciable Assets
SIC 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders

Accounting Treatment Guidance for Transfers of Financial Assets

The management of the Company believes that these accounting standards do not have any significant impact on the financial statements for the year when they are initially applied, except for TAS 12 Income Taxes that the Company has used at the effective date and have effects on the changes in the Company's accounting policies as disclosed in note 3.3: Effect of changes in accounting policies.

NOTES TO FINANCIAL STATEMENTS

3.3 Effect of changes in accounting policies due to application of new accounting standards

From August 1, 2013, the Company and its subsidiaries have used of TAS 12 Income Taxes. This accounting standard requires an entity to identify temporary differences arising from differences between the carrying amount of an asset or liability in the statement of financial position and its tax base in order to recognize the tax effects as deferred tax assets or liabilities subjecting to certain recognition criteria.

The Company and its subsidiaries has used this accounting policy in this current year and restated the prior year's financial statements, presented for comparative purposes, as though the Company and its subsidiaries had initially recognized the tax effects as deferred tax assets or liabilities. The effects of the change in accounting policies are as follows:

(Unit: Baht)

	Consolidated financial statements		
	As at July 31, 2014	As at July 31, 2013	As at August 1, 2012
<u>Statements of financial position</u>			
Deferred tax assets increased	283,625	346,571	365,247
Deferred tax liabilities increased	923,298	520,921	171,123
Retained earnings increased	283,625	346,571	365,247
Other components of shareholder's equity decreased			
- Unrealized gain on remeasuring available for sale investment	(923,298)	(520,921)	(171,123)

(Unit: Baht)

	Separate financial statements		
	As at July 31, 2014	As at July 31, 2013	As at August 1, 2012
<u>Statements of financial position</u>			
Deferred tax assets increased	169,970	187,505	157,167
Retained earnings increased	169,970	187,505	157,167

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
<u>Statements of comprehensive income</u>				
<u>Profit or loss:</u>				
Income taxes increased (decreased)	62,946	18,676	17,535	(30,338)
Net profit increased (decreased)	(62,946)	(18,676)	(17,535)	30,338
Other comprehensive income (decreased)	(402,377)	(349,798)	-	-
Basic earnings per share increased (decreased)	(0.00)	(0.00)	-	-

NOTES TO FINANCIAL STATEMENTS

3.4 The new and revised accounting standards but are not yet effective

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

These new and revised accounting standards which are effective for the fiscal year beginning on or after January 1, 2014 are as follows:

TAS 1 (revised 2012)	Presentation of Financial Statements
TAS 7 (revised 2012)	Statement of Cash Flows
TAS 12 (revised 2012)	Income Taxes
TAS 17 (revised 2012)	Leases
TAS 18 (revised 2012)	Revenue
TAS 19 (revised 2012)	Employee Benefits
TAS 21 (revised 2012)	The Effects of Changes in Foreign Exchange Rate
TAS 24 (revised 2012)	Related Party Disclosures
TAS 28 (revised 2012)	Investments in Associates
TAS 31 (revised 2012)	Interests in Joint Venture
TAS 34 (revised 2012)	Interim Financial Reporting
TAS 36 (revised 2012)	Impairment of Assets
TAS 38 (revised 2012)	Intangible assets
TFRS 2 (revised 2012)	Share-based Payment
TFRS 3 (revised 2012)	Business Combinations
TFRS 5 (revised 2012)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 8 (revised 2012)	Operating Segments
TFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 4	Determining whether an Arrangement contains a Lease
TFRIC 5	Right to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
TFRIC 7	Applying the Restatement Approach under TAS 29 Financial Reporting in Hyperinflationary Economics
TFRIC 10	Interim Financial Reporting and Impairment
TFRIC 12	Service Concession Arrangements
TFRIC 13	Customer Loyalty Programmes
TFRIC 17	Distributions of Non-cash Assets to Owners

TFRIC 18	Transfers of Assets from Customers
TSIC 15	Operating Leases - Incentives
TSIC 27	Evaluating the Substance of Transactions in the Legal Form of a Lease
TSIC 29	Service Concession Arrangements: Disclosure
TSIC 32	Intangible Assets - Web Site Costs

The new accounting standard which is effective for the fiscal year beginning on or after January 1, 2016 is as follows:

TFRS 4	Insurance Contracts
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The management of the Company is evaluating the impact of these new and revised accounting standards when they are initially applied.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Recognition of revenues and expenditures

Sales of goods

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

Service revenue

Service revenue is recognized when services have been rendered.

Dividends

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

Other incomes

Other incomes are recognized on an accrual basis.

Expenditures are recognized on an accrual basis.



4.2 Cash and cash equivalents

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

4.3 Trade accounts receivable

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

4.4 Inventories

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

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

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

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

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

4.5 Investments

Investments in subsidiaries

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

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

Investments in debt securities and marketable equity securities

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

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

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

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

4.6 Investment property

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

4.7 Property, plant and equipment and Depreciation

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

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

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

Buildings and complements	20	years
Machinery and equipment	5 - 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 and equipment under installation.

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

4.8 Intangible assets and Amortization

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

Software license	3 - 5	years
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4.9 Related party transactions

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

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

4.10 Foreign currencies

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

Gains and losses on exchange are included in determining income.

4.11 Impairment of assets

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

4.12 Employee benefits

Short-term employment benefits

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

Post-employment benefits (Defined contribution plans)

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

Post-employment benefits (Defined benefit plans)

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

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

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

4.13 Corporate income tax

Income tax

Income tax comprises current income tax and deferred tax.

Current tax

The Company and its subsidiaries records income tax expense, if any, based on the amount currently payable under the Revenue Code at the income tax rates (year 2013/2014 : 20%, year 2012/2013 : 23%) of profit before income tax, after adding back certain expenses which are non-deductible for income tax computation purposes, and less certain transactions which are exempted or allowable from income tax. And a subsidiary is exempted from corporate income tax on net profit from privileges of investment promotion certificate.

Deferred tax

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

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

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

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

4.14 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.

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.

4.15 Earnings per share

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

5. RELATED PARTY TRANSACTIONS

Related parties are as follows :-

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

NOTES TO FINANCIAL STATEMENTS

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

(Unit : Million Baht)

	For the years ended July 31,				Pricing Policies
	Consolidated financial statements		Separate financial statements		
	2014	2013	2014	2015	
Transactions with related companies					
Electricity expenses	1.4	1.5	-	-	Cost plus margin
Rental expenses	0.6	0.6	-	-	Based on contract
Rental expenses					
Management income	-	-	12.7	12.5	Cost plus margin
Service income	-	-	12.6	4.5	Cost plus margin
Electricity income	-	-	1.3	1.4	Cost plus margin
Sales of raw material	-	-	0.8	-	Cost
Purchases of finished goods	-	-	28.7	37.1	Cost plus margin
Sales of fixed assets	-	-	-	0.9	Fair value and book value
Dividend income	-	-	49.4	50.0	By the amount declared

The balances of the accounts as at July 31, 2014 and 2013 between the Company and those related companies are as follows:

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	As at July 31, 2014	As at July 31, 2013	As at July 31, 2014	As at July 31, 2013
Trade accounts receivable - related parties				
Siam ISO Pro Co., Ltd.	-	-	8,988	16,371
Mark Worldwide Co., Ltd.	-	-	909,361	1,219,308
City Steel Products Co., Ltd.	-	-	2,631,237	2,429,649
Total trade accounts receivable - related parties	-	-	3,549,586	3,665,328
Trade accounts payable - related parties				
Mark Worldwide Co., Ltd.	-	-	19,902	-
City Steel Products Co., Ltd.	-	-	838,776	10,785,359
Siam C.T.P. Industry Co., Ltd.	135,173	146,665	-	-
Total trade accounts payable - related parties	135,173	146,665	858,678	10,785,359

NOTES TO FINANCIAL STATEMENTS

6. CASH AND CASH EQUIVALENTS

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	As at July 31, 2014	As at July 31, 2013	As at July 31, 2014	As at July 31, 2013
Cash on hand and petty cash	647,404	743,097	69,971	78,690
Cash at banks - Savings account	401,913,468	199,033,691	13,472,996	18,041,722
- Current account	639,105	107,852	364,059	64,684
Fixed deposits 3 months	103,010,626	101,010,474	10,626	10,474
	506,210,603	300,895,114	13,917,652	18,195,570

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

7. INVESTMENTS IN AVAILABLE-FOR-SALE SECURITIES

This account consisted of:

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	As at July 31, 2014	As at July 31, 2013	As at July 31, 2014	As at July 31, 2013
Investments in available-for-sale securities - at cost				
- Open fund (Money Market Fund)	70,196,340	70,196,340	-	-
- Open fund (Fixed Income Fund)	9,818,800	9,818,800	-	-
	80,015,140	80,015,140	-	-
Add : Unrealized gain (loss) on change in value of investments	4,616,490	2,604,607	-	-
Investments in available-for-sale securities - fair value	84,631,630	82,619,747	-	-

NOTES TO FINANCIAL STATEMENTS

8. TRADE ACCOUNTS RECEIVABLE

The outstanding balances of trade accounts receivable as at July 31, 2014 and 2013, as classified by due dates, are as follows:

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	As at July 31, 2014	As at July 31, 2013	As at July 31, 2014	As at July 31, 2013
Age of receivables				
Undue	60,210,282	63,491,128	3,901,884	4,725,546
Less than 3 months overdue	16,451,581	42,177,346	-	2,086,532
Over 3 months to 6 months	-	-	-	-
Net	76,661,863	105,668,474	3,901,884	6,812,078

9. INVENTORIES

This account consisted of:

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	As at July 31, 2014	As at July 31, 2013	As at July 31, 2014	As at July 31, 2013
Finished goods	646,424	648,025	-	-
Work in process	1,017,465	946,687	-	-
Raw materials	18,130,013	32,485,938	-	783,861
Total	19,793,902	34,080,650	-	783,861

10. 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

11. INVESTMENTS IN SUBSIDIARIES

As at July 31, 2014 and 2013 investments in subsidiaries accounted for under cost method represent investments in ordinary shares in the following subsidiaries

(Unit : Baht)

Company's name	Paid-up share capital		At equity method		At cost method		Dividend income	
	As at July 31, 2014	As at July 31, 2013	As at July 31, 2014	As at July 31, 2013	As at July 31, 2014	As at July 31, 2013	For the years Ended July 31,	
							2014	2013
Siam ISO Pro Co., Ltd	112,000,000	112,000,000	146,247,098	146,234,795	111,999,940	111,999,940	-	10,751,994
Mark Worldwide Co., Ltd.	280,200,000	280,200,000	369,438,178	366,193,967	264,819,940	264,819,940	-	39,227,992
City Steel Products Co., Ltd.	247,050,000	247,050,000	671,752,141	577,336,794	247,049,980	247,049,980	49,409,996	-
Total investments in subsidiaries			1,187,437,417	1,089,765,556	623,869,860	623,869,860	49,409,996	49,979,986

12. INVESTMENT PROPERTY

Investment property is the land, the purpose of use in the future has not been identified, the subsidiary appraised the investment property by independent appraiser on August 1, 2012, by Market Approach, which fair value of Baht 20.96 million.

13. PROPERTY, PLANT AND EQUIPMENT

This account consisted of:

(Unit : Baht)

	Consolidated financial statements				
	Balance As at July 31, 2013	Additions	Deduction	Transfers in (out)	Balance As at July 31, 2014
<u>At cost</u>					
Land	58,858,269	-	-	-	58,858,269
Building	196,258,750	-	-	-	196,258,750
Machinery and equipment	495,032,741	7,332,567	-	38,405,959	540,771,267
Vehicle	51,155,198	-	(1,047,243)	-	50,107,955
Furniture and office equipment	13,537,709	419,147	-	-	13,956,856
Building under construction and machine and equipment under installation	48,417,730	23,530,629	-	(38,405,959)	33,542,500
Total	863,260,497	31,282,343	(1,047,243)	-	893,495,597
<u>Less Accumulated depreciation</u>					
Building	37,510,809	9,496,586	-	-	47,007,395
Machinery and equipment	211,215,728	51,847,047	-	-	263,062,775
Vehicle	36,888,377	1,025,274	(1,047,242)	-	36,866,409
Furniture and office equipment	10,351,299	984,564	-	-	11,335,863
Total	295,966,213	63,353,471	(1,047,242)	-	358,272,442
Property, plant and equipment, net	567,294,284				535,223,155

NOTES TO FINANCIAL STATEMENTS

	Consolidated financial statements				(Unit : Baht)
	Balance As at July 31, 2012	Additions	Deduction	Transfers in (out)	Balance As at July 31, 2013
<u>At cost</u>					
Land	58,858,269	-	-	-	58,858,269
Building	196,258,750	-	-	-	196,258,750
Machinery and equipment	484,880,204	13,507,067	(3,700,130)	345,600	495,032,741
Vehicle	40,803,330	10,431,868	(80,000)	-	51,155,198
Furniture and office equipment	13,142,544	395,165	-	-	13,537,709
Building under construction and machine and equipment under installation	15,937,307	32,826,123	-	(345,600)	48,417,830
Total	809,880,404	57,160,223	(3,780,130)	-	863,260,497
<u>Less Accumulated depreciation :</u>					
Building	28,014,223	9,496,586	-	-	37,510,809
Machinery and equipment	167,172,164	47,329,419	(3,285,855)	-	211,215,728
Vehicle	36,452,503	448,518	(12,644)	-	36,888,377
Furniture and office equipment	9,217,475	1,133,824	-	-	10,351,299
Total	240,856,365	58,408,347	(3,298,499)	-	295,966,213
Property, plant and equipment, net	569,024,039				567,294,284
Depreciation for the years ended July 31,					
2014 (Baht 60.04 million included in cost of sales and services and the balance in administrative expenses)					63,353,471
2013 (Baht 54.11 million included in cost of sales and services and the balance in administrative expenses)					58,408,347

	Separate financial statements				(Unit : Baht)
	Balance As at July 31, 2013	Additions	Deduction	Transfers in (out)	Balance As at July 31, 2014
<u>At cost</u>					
Building	4,464,395	-	-	-	4,464,395
Machinery and equipment	33,511,409	-	-	-	33,511,409
Vehicle	9,426,283	-	-	-	9,426,283
Furniture and office equipment	4,166,257	-	-	-	4,166,257
Total	51,568,344	-	-	-	51,568,344
<u>Less Accumulated depreciation :</u>					
Building	1,555,750	221,238	-	-	1,776,988
Machinery and equipment	33,511,317	-	-	-	33,511,317
Vehicle	9,426,280	-	-	-	9,426,280
Furniture and office equipment	4,138,141	22,189	-	-	4,160,330
Total	48,631,488	243,247	-	-	48,874,915
Property, plant and equipment, net	2,936,856				2,693,429

NOTES TO FINANCIAL STATEMENTS

(Unit : Baht)

	Separate financial statements				Balance As at July 31, 2013
	Balance As at July 31, 2012	Additions	Deduction	Transfers in (out)	
At cost					
Building	4,464,395	-	-	-	4,464,395
Machinery and equipment	38,137,039	-	(4,625,630)	-	33,511,409
Vehicle	9,426,283	-	-	-	9,426,283
Furniture and office equipment	4,166,257	-	-	-	4,166,257
Total	56,193,974	-	(4,625,630)	-	51,568,344
Less Accumulated depreciation :					
Building	1,334,511	221,239	-	-	1,555,750
Machinery and equipment	37,135,892	100,049	(3,724,624)	-	33,511,317
Vehicle	9,426,280	-	-	-	9,426,280
Furniture and office equipment	4,092,878	45,263	-	-	4,138,141
Total	51,989,561	366,551	(3,724,624)	-	48,631,488
Property, plant and equipment, net	4,204,413				2,936,856
Depreciation for the years ended July 31, 2014 (Total included in administrative expenses)					243,427
2013 (Total included in administrative expenses)					366,551

A subsidiary has mortgaged land and construction with a total net book value as at July 31, 2014, of Baht 135.9 million (As at July 31, 2013 : Baht 140.9 million) to secure credit facilities from financial institution.

As at July 31, 2014 and 2013, 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 66.6 million and Baht 65.5 million, respectively (the company : Baht 47.0 million and Baht 47.0 million, respectively).

14. INTANGIBLE ASSETS

This account consisted of:

(Unit : Baht)

	Consolidated financial statements			Balance As at July 31, 2014
	Balance As at July 31, 2013	Additions	Deduction	
At cost				
Computer software	2,006,770	-	-	2,006,770
Less Accumulated amortization	2,002,175	4,373	-	2,006,548
Intangible assets - net	4,595			222

NOTES TO FINANCIAL STATEMENTS

(Unit : Baht)

	Consolidated financial statements			Balance As at July 31, 2013
	Balance As at July 31, 2012	Additions	Deduction	
<u>At cost</u>				
Computer software	2,006,770	-	-	2,006,770
Less Accumulated amortization	1,567,297	434,878	-	2,002,175
Intangible assets - net	439,473			4,595
Amortization for the years ended July 31, (Included in administrative expenses)				
2014				4,373
2013				434,878

(Unit : Baht)

	Separate financial statements			Balance As at July 31, 2014
	Balance As at July 31, 2013	Additions	Deduction	
<u>At cost</u>				
Computer software	1,279,270	-	-	1,279,270
Less Accumulated amortization	1,279,059	-	-	1,279,059
Intangible assets - net	211			211

(Unit : Baht)

	Separate financial statements			Balance As at July 31, 2013
	Balance As at July 31, 2012	Additions	Deduction	
<u>At cost</u>				
Computer software	1,279,270			1,279,270
Less Accumulated amortization	1,037,077	241,982	-	1,279,059
Intangible assets - net	242,193			211
Amortization for the years ended July 31, (Included in administrative expenses)				
2014				-
2013				241,982

As at July 31, 2014 and 2013, certain intangible assets items of the Company and its subsidiaries have been fully amortized but are still in use. The original cost of those assets amounted to approximately Baht 2.0 million and Baht 1.9 million, respectively (The company : Baht 1.3 million and Baht 1.3 million, respectively).

NOTES TO FINANCIAL STATEMENTS

15. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

15.1 Changes in deferred tax assets and deferred tax liabilities for the year ended July 31, 2014 are summarized as follows:

(Unit: Baht)

	Consolidated financial statements			Balance as at July 31, 14
	Balance as at July 31, 13	Revenue (expenses) In profit or loss	during the year In other comprehensive income	
Deferred tax assets:				
Intangible assets	126,537	(25,567)	-	100,970
Employee benefit obligations	161,489	21,166	-	182,655
Loss carry forward on tax base	58,545	(58,545)	-	-
Total	346,571	(62,946)	-	283,625
Deferred tax liabilities:				
Unrealized gain on remeasuring available for sale investment	520,921	-	402,377	923,298
Total	520,921	-	402,377	923,298

(Unit: Baht)

	Separate financial statements			Balance as at July 31, 14
	Balance as at July 31, 13	Revenue (expenses) In profit or loss	during the year In other comprehensive income	
Deferred tax assets:				
Intangible assets	126,537	(25,567)	-	100,970
Employee benefit obligations	60,968	8,032	-	69,000
Total	187,505	(17,535)	-	169,970

NOTES TO FINANCIAL STATEMENTS

15.2 Tax expense (income)

15.2.1 Major components of tax expense (income)

For the years ended July 31, 2014 and 2013 consisted of:

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Income tax expense (income) shown in profit or loss :				
Current tax expense:				
Income tax expense for the years	995,700	1,144,721	189,869	339,398
Deferred tax expense (income):				
Changes in temporary differences relating to the original recognition and reversal	62,946	21,477	17,535	(34,889)
Revaluation of the deferred tax resulting from changing in tax rates	-	(2,801)	-	4,551
Total	1,058,646	1,163,397	207,404	309,060
Income tax relating to components of other comprehensive income :				
Deferred tax relating to remeasuring available for sale investments	402,377	349,798	-	-
Total	402,377	349,798	-	-

15.2.2 A numerical reconciliation between tax expense (income) and the product of accounting profit multiplied by the applicable tax rate for the years ended July 31, 2014 and 2013 are summarized as follows:

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Accounting profit (loss) for the years	149,638,041	126,398,969	50,247,358	51,297,926
The applicable tax rate (%)	20%	23%	20%	23%
Tax expense (income) at the applicable tax rate	29,927,608	29,071,763	10,049,471	11,798,523
Reconciliation items:				
Tax effect of expenses that are not deductible in determining tax profit:				
- Expenses not allowed as expenses in determining taxable profit	152,211	31,010	39,932	1,659
- The exemption of profit of the promoted business (BOI)	(28,581,838)	(27,447,870)	-	-
- Tax effects of incomes or profits that not included in computing taxable profits	(439,335)	(488,705)	(9,881,999)	(11,495,463)
Revaluation of the deferred tax resulting from changing in tax rates	-	(2,801)	-	4,551
Total reconciliation items	(28,868,962)	(27,908,366)	(9,842,067)	(11,489,463)
Total tax expense (income)	1,058,646	1,163,397	207,404	309,060

NOTES TO FINANCIAL STATEMENTS

15.2.3 A numerical reconciliation between the average effective tax rate and the applicable tax rate for the years ended July 31, 2014 and 2013 are summarized as follows:

(Unit: Baht)

	Consolidated financial statements			
	2014		2013	
	Tax amount	Tax rate (%)	Tax amount	Tax rate (%)
Accounting profit (loss) before tax expense for the years	149,638,041		126,398,969	
Tax expense (income) at the applicable tax rate	29,927,608	20.00	29,071,764	23.00
Reconciliation items	(28,868,962)	(19.29)	(27,908,367)	(22.08)
Tax expense (income) at the average effective tax rate	1,058,646	0.71	1,163,397	0.92

(Unit: Baht)

	Separate financial statements			
	2014		2013	
	Tax amount	Tax rate (%)	Tax amount	Tax rate (%)
Accounting profit (loss) before tax expense for the years	50,247,358		51,297,926	
Tax expense (income) at the applicable tax rate	10,049,471	20.00	11,798,532	23.00
Reconciliation items	(9,842,067)	(15.59)	(11,489,463)	(22.40)
Tax expense (income) at the average effective tax rate	207,404	0.41	309,060	0.60

16. EMPLOYEE BENEFIT OBLIGATIONS

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

Statement of financial position

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	As at July 31, 2014	As at July 31, 2013	As at July 31, 2014	As at July 31, 2013
Employee benefit obligation, beginning of the year	807,443	705,927	304,841	267,296
Current service costs	74,268	72,937	27,751	26,666
Finance cost	31,565	28,579	12,407	10,879
Employee benefit obligation, ending of the year	913,276	807,443	344,999	304,841

NOTES TO FINANCIAL STATEMENTS

Expenses recognized in the statements of comprehensive income

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
For the years ended July 31				
Cost of sales and services	13,746	14,783	-	-
Administrative expenses	36,106	34,693	3,335	3,205
Management benefit expenses	24,416	23,461	24,416	23,461
Finance cost	31,565	28,579	12,407	10,879
	105,833	101,516	40,158	37,545

Primary assumptions for estimation according to actuarial principles

For the year ended July 31, 2014 and 2013	Percentage	
	Consolidated financial statements	Separate financial statements
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 Mortality Rate Table 2008	Refer to OIC Thai Mortality Rate Table 2008

17. CAPITAL MANAGEMENT

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

According to the consolidated and separate statement of financial position as at July 31, 2014 and 2013, the Company and its subsidiaries debt-to-equity ratio was 0.046:1 and 0.022:1, and the Company's debt-to-equity ratio was 0.003:1 and 0.019:1, respectively.

18. DIVIDEND

A meeting of the Board of Directors of the Company held on September 27, 2013 approved a resolution to propose a dividend of Baht 0.16 per share for the year 2012/2013, totaling Baht 48 million. This resolution was approved by the ordinary meeting of the shareholders on November 29, 2013. The Company paid a dividend to the shareholders in December 2013.

A meeting of the Board of Directors of the Company held on September 23, 2012 approved a resolution to propose a dividend of Baht 0.16 per share for the year 2011/2012, totaling Baht 48 million. This resolution was approved by the ordinary meeting of the shareholders on November 30, 2012. The Company paid a dividend to the shareholders in December 2012.

19. PROMOTIONAL PRIVILEGES

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

- A fifty percent reduction of import duty on machinery as approved by the Board.
- Profit from the promoted activities, are exempted from corporate income tax for a period of eight years commencing as from the date of first earning operating income (Started August 3, 2010).

The Company and its subsidiaries' results of operations classified by the promoted and non-promoted activities for the years ended July 31, 2014 and 2013 are as follows:-

	Consolidated Financial Statement (In Baht)					
	Promoted operations		Non-promoted operations		Total	
	2014	2013	2014	2013	2014	2013
Sales and service income	580,175,994	477,639,893	-	-	580,175,994	477,639,893
Other income	2,219,501	2,000,330	1,459,446	309,041	3,678,947	2,309,371
	582,395,495	479,640,223	1,459,446	309,041	583,854,941	479,949,264

20. 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 financial statements		Separate financial statements	
	2014	2013	2014	2014
Raw material and consumable used	432,759,614	387,278,905	783,861	39,976
Change in inventories of finished goods and work in process	(69,177)	427,863	-	-
Depreciation and amortization	63,357,844	58,843,225	243,427	608,533
Employee benefit cost	52,777,159	52,208,204	22,178,462	14,936,558
Employee benefits	74,268	72,937	27,751	26,666

21. 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, 2014 and 2013 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)

22. FINANCIAL INFORMATION BY SEGMENT

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

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

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

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

23. COMMITMENTS AND CONTINGENT LIABILITIES

23.1 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 36 months from August 2013 to July 2016 with the rental fee amount of Baht 52,800.00 per month.

As at July 31, 2014, the Company has commitment under the agreement for the rental fee as follows: -

	<u>Million Baht</u>
Payable within :	
1 year	0.6
More than 1 year to 5 years	0.6

23.2 Guarantees

As at July 31, 2014 and 2013, there were outstanding bank guarantees of approximately Baht 2.7 million and Baht 2.2 million, respectively (the company : Baht 0.6 million and Baht 0.6 million, respectively) issued by a bank on behalf of the Company and subsidiaries in respect of certain performance bonds as required in the normal course of business.

23.3 Loan facilities from financial institutions

The Company and its subsidiaries obtained loan facilities from local commercial banks totaling Baht 290 million (As at July 31, 2013 : Baht 290 million). These loans are guaranteed by two subsidiaries and the subsidiary's land and construction thereon.

23.4 Others

The Company had outstanding commitment in respect of uncalled portion of investments in its subsidiaries approximately Baht 79.75 million and investment in foreign subsidiary that indirectly invest through the subsidiary of USD 3.00 million.

24. FINANCIAL INSTRUMENTS

24.1 Accounting policies

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

24.2 Financial risk management for financial instruments

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

24.3 Credit risk

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

24.4 Interest rate risk

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

Significant financial assets and liabilities as at July 31, 2014 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.)
Financial assets				
Cash and cash equivalents	506	-	506	0.00 - 1.20
Investments in available-for-sale securities	-	85	85	-
Trade accounts receivable	-	77	77	-
Deposits with restrictions	2	-	2	0.00 - 1.50
	508	162	670	
Financial liabilities				
Trade accounts payable	-	25	25	-
	-	25	25	

NOTES TO FINANCIAL STATEMENTS

Separate financial statements	(Unit : Million Baht)			
	Floating interest rate	Non-interest bearing	Total	Interest rate (% p.a.)
Financial assets				
Cash and cash equivalents	14	-	14	0.00 - 1.00
Trade accounts receivable	-	4	4	-
Deposits with restrictions	2	-	2	0.00 - 1.10
	16	4	20	
Financial liabilities				
Trade accounts payable	-	1	1	-
	-	1	1	

24.5 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.

25. RECLASSIFICATION

Certain amounts in the financial statements for the year ended July 31, 2013 have been reclassified to conform to the current period classification but with no effect to previously reported net income or shareholders' equity.

26. ESTABLISHMENT OF THE OVERSEAS SUBSIDIARY

Siam ISO Pro Company Limited had set up a subsidiary in Hong Kong SAR by using source of funds from the Group's working capital with objectives of facilitating the Group's future business expansion, which has details as follows :

Company name	:	CT Universal Company Limited
Date of registration	:	January 15, 2014
Registered capital	:	USD 3.00 million (Baht 98.87 million)
Type of business	:	Merchandising industrial and consumer products as well as investing in new businesses
Shareholding structure	:	Siam ISO Pro Company Limited holds 100% of total shares


As at July 31, 2014, Siam ISO Pro Company Limited (subsidiary) has not yet paid for the investment in the subsidiary, and this subsidiary has not started its operation.

27. EVENTS AFTER THE REPORTING PERIOD

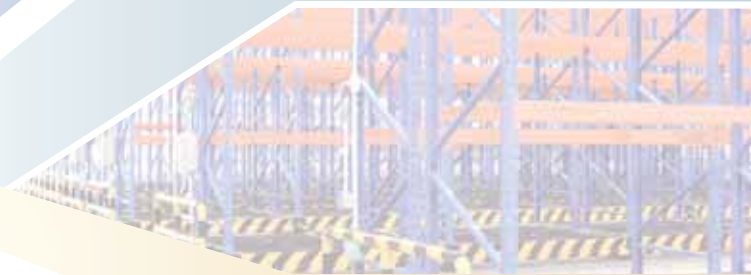
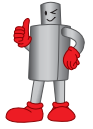
A meeting of the Board of Directors of the Company held on September 26, 2014 approved a resolution to propose a dividend of Baht 0.16 per share for the year 2013/2014.

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.

28. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorized for issue by the Company's Board of Directors on September 26, 2014. 

Investor Relation
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