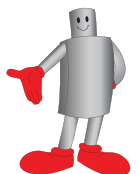


ANNUAL REPORT

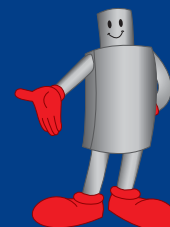
2013

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 2013

CITY STEEL PUBLIC COMPANY LIMITED



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MESSAGE FROM THE CHAIRMAN

During the mid of 2012, Thailand's overall economy had significantly expanded, especially in private sector that got positive impacts from investments in recovery of 2011 flood disaster as well as several government's stimulus policies. All of these factors contributed to the expansion of domestic economy. However, at the beginning of 2013, these benefits started to diminish along with global economy that still had been in the recession state, caused the domestic economy to become stagnant especially in the first half of the year 2013, as the economic expansion did not meet the proposed target, the export values started to reduce, and the Private Investment Index began to decline.

According to the stated effects, the Group has employed prudent business policies and determined to carefully manage the operations in order to overcome any obstacles or challenges that will happen in the future and also 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 and followed the Good Corporate Governance practices which are the important foundation for sustainable growth.

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

Mr. Wibool Phongratanadechachai
Chairman of the Board of Director



REPORT OF THE AUDIT COMMITTEE

The Audit Committee of City Steel Public Company Limited consisted of 3 Independent Directors which are Mr. Manop Chiwatanasoonon, 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 2012/2013, 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 2012/2013 in terms of correctness, accuracy, and adequate disclosure. According to their review, the financial statements and the notes to financial statement were presented fairly and adequately and conform to generally accepted accounting principles.

2) 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 2013/2014 and reviewed its relevant remuneration.

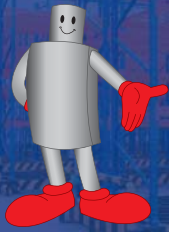
5) Reviewed the connected transactions between the Company and its subsidiaries and related parties. Based on the reviews, the connected transactions were correctly and adequately disclosed. Also business terms and conditions were appropriate and benefited the Company.

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.

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.

In conclusion, during the year 2012/2013, 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 Chiwatanasoonon
Chairman of the Audit Committee

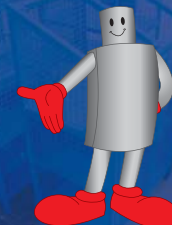


GENERAL INFORMATION

CITY STEEL PCL. *Metal TECHNOLOGY*™

Company Name	:	City Steel Public Company Limited (“The Company”)
Symbol	:	CITY
Registered Capital	:	Baht 300,000,000, Ordinary Capital 300,000,000 Shares, Par Value Baht 1 each
Paid Up Capital	:	Baht 300,000,000 (As at 31 July 2013)
Type of Business	:	Holding Company, investing in 3 subsidiaries which are <ul style="list-style-type: none">● Siam ISO Pro Company Limited.● Mark Worldwide Company Limited.● City Steel Products Company Limited.
Head Office’ s address	:	88/3 Moo 4, Bypass Road, Nongmadaeng, Muang, Chonburi, 20000
Branch 1’ s address	:	120 Moo 3, Sukhumvit Road, Bansuan, Muang, Chonburi, 20000
Register Number	:	0107547000931
Website	:	http://www.citysteelpcl.com
Email	:	city@wkpgroup.com
Tel.	:	(038) 782-064 - 68
Fax.	:	(038) 782-069 - 70
Auditor	:	Ms.Wannisa Ngambuathong Certified Public Accountant (Thailand) No.6838 Dharmniti Auditing Company Limited 267/1 Pracharaj Sai 1 Road, Bangsue, Bangkok 10800 Tel : (02) 587-8080 Fax : (02) 586-0301, (02) 587-2018, (02) 587-5475 Website : http://www.dharmniti.co.th Email : center@dharmniti.co.th

THE DETAILS OF SUBSIDIARY COMPANIES



SIAM ISO PRO COMPANY LIMITED

Registered Capital	:	Baht 154,000,000, Ordinary Capital 15,400,000 Shares, Par Value Baht 10 each
Paid Up Capital	:	Baht 112,000,000 (As at 31 July 2013)
Type of Business	:	Investment and new business expansion
Head Office' s address	:	88/2 Moo 4, Bypass Road, Nongmadaeng, Muang, Chonburi, 20000
Register Number	:	0205546002113
Email	:	isopro@wkpgroup.com
Tel.	:	(038) 782-064 - 68
Fax.	:	(038) 782-069 - 70



MARK WORLDWIDE COMPANY LIMITED

Registered Capital	:	Baht 295,000,000, Ordinary Capital 29,500,000 Shares, Par Value Baht 10 each
Paid Up Capital	:	Baht 280,200,000 (As at 31 July 2013)
Type of Business	:	Manufacturing and sales of metal, fabricated metal parts and providing metal processing services
Head Office' s address	:	41/58-61 Moo 1, Bypass Road, Bansuan, Muang, Chonburi, 20000
Branch 1' s address	:	120,122/8 Moo 3, Sukhumvit Road, Bansuan, Muang, Chonburi, 20000
Branch 2' s address	:	88/5 Moo 4, Bypass Road, Nongmadaeng, Muang, Chonburi, 20000
Register Number	:	0205544011158
Email	:	mark@wkpgroup.com
Tel.	:	(038) 287-111
Fax.	:	(038) 289-151 - 3



CITY STEEL PRODUCTS COMPANY LIMITED

Registered Capital	:	Baht 270,000,000, Ordinary Capital 27,000,000 Shares, Par Value Baht 10 each
Paid Up Capital	:	Baht 247,050,000 (As at 31 July 2013)
Type of Business	:	Manufacturing and sales of metal structures, storage systems and material handling equipment, and other metal products.
Head Office' s address	:	88/20 Moo 10, Bypass Road, Napa, Muang, Chonburi, 20000
Register Number	:	0205552013105
Email	:	citypro@citysteelpcl.com



FINANCIAL HIGHLIGHTS

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

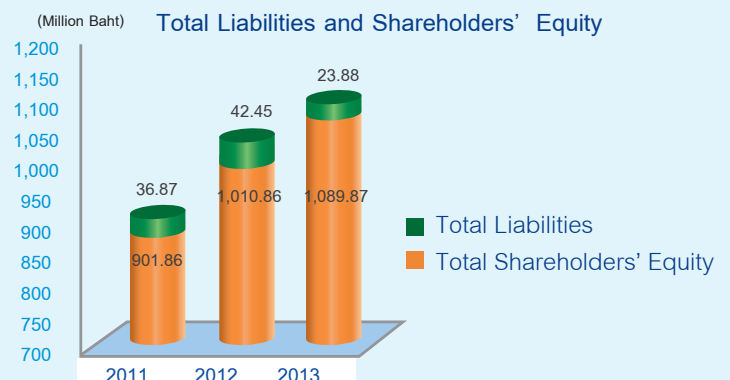
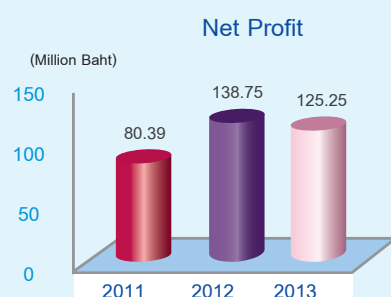
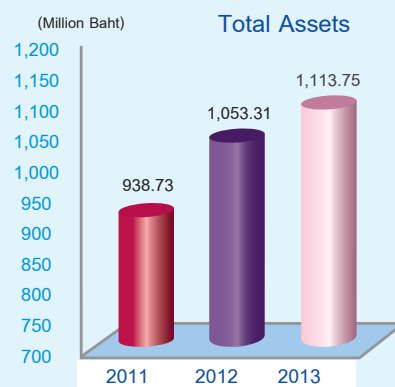
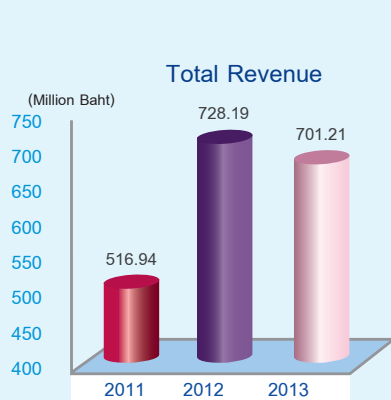
(Unit : Million Baht)

	2011	2012	2013
Total Revenue	516.94	728.19	701.21
Gross Profit	127.63	188.78	176.21
Net Profit	80.39	138.75	125.25
Total Assets	938.73	1,053.31	1,113.75
Total Liabilities	36.87	42.45	23.88
Total Shareholders' Equity	901.86	1,010.86	1,089.87
Paid-up Capital	300.00	300.00	300.00

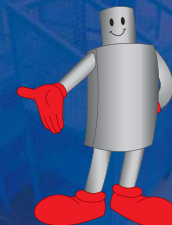
Financial Ratios of the Company for the accounting period ended 31 July

(Unit : Million Baht)

		2011	2012	2013
Gross Profit Margin	(%)	25.10	26.10	25.31
Net Profit Margin	(%)	15.55	19.05	17.86
Return on Equity	(%)	9.23	14.51	11.92
Return on Assets	(%)	8.93	13.93	11.55
Liquidity Ratio	(times)	10.76	11.09	21.03
Debt to Equity Ratio	(times)	0.04	0.04	0.02
Dividend Payout Ratio	(%)	37.20	37.32	34.59



NATURE OF BUSINESS



Background and Major Milestones.

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

NATURE OF BUSINESS

Business Overviews

Year 2012/2013, the Group consists of the Company and three subsidiaries; Siam ISO Pro Co., Ltd. (“Siam ISO Pro”), Mark Worldwide Co., Ltd (“Mark Worldwide”), and City Steel Products Co., Ltd. (“City Steel Products”). The Group objectives are to manufacture and sell metal structures, storage systems and material handling equipments, fabricated metal parts, other metal products, as well as to provide metal processing services, and to merchandise steel and other metal materials. The Group provides various kinds of products and services to serve different needs and demands of customers. The products are custom-made with high quality and by high technology and high precision machines to assure quality of the products. In addition, the Group also emphasizes on exceptional customer services and on time delivery.

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

The details of subsidiaries as at 31 July 2013 are as follows:

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

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

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

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

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

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

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

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

The Group's structure as at 31 July 2013 is presented below:

The Group's Structure at 31 July, 2013



NATURE OF BUSINESS

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



1. Manufacturing and sales of metal products

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

1.1 Metal Structures and Metal Fabrication

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



Racking System

Mezzanine Platform



Shelving System

Constructional Products

1.2 Storage System and Material Handling Equipment

► Storage System

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



Mobile Shelving Systems



Cabinet & Locker

► Material Handling Equipment

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



Cart and Dolly



Pallet



Conveyor System



Dock Equipment

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

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

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

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



2.2 Metal Trade

The Company also merchandises metal materials as an additional service for customers. Normally, steel and other metal materials sold to customers are purchased from major local suppliers except for the materials that are not available in the country, will be imported from international suppliers. Major metal materials sold include:

Hot Rolled Steel Plate , Stainless Steel Sheet, Cold Rolled Steel Plate, Square Steel Pipe, Checkered Plate, Furniture Steel Pipe, Zinc Sheet, Stainless Steel Pipe, Galvanized Steel Sheet, Stainless Steel Square Pipe, etc.



3. Supporting business

Supporting business unit is operated by the Company, responsible for 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.

NATURE OF BUSINESS

As at 31 July 2013, the Group has 4 business locations as follows;

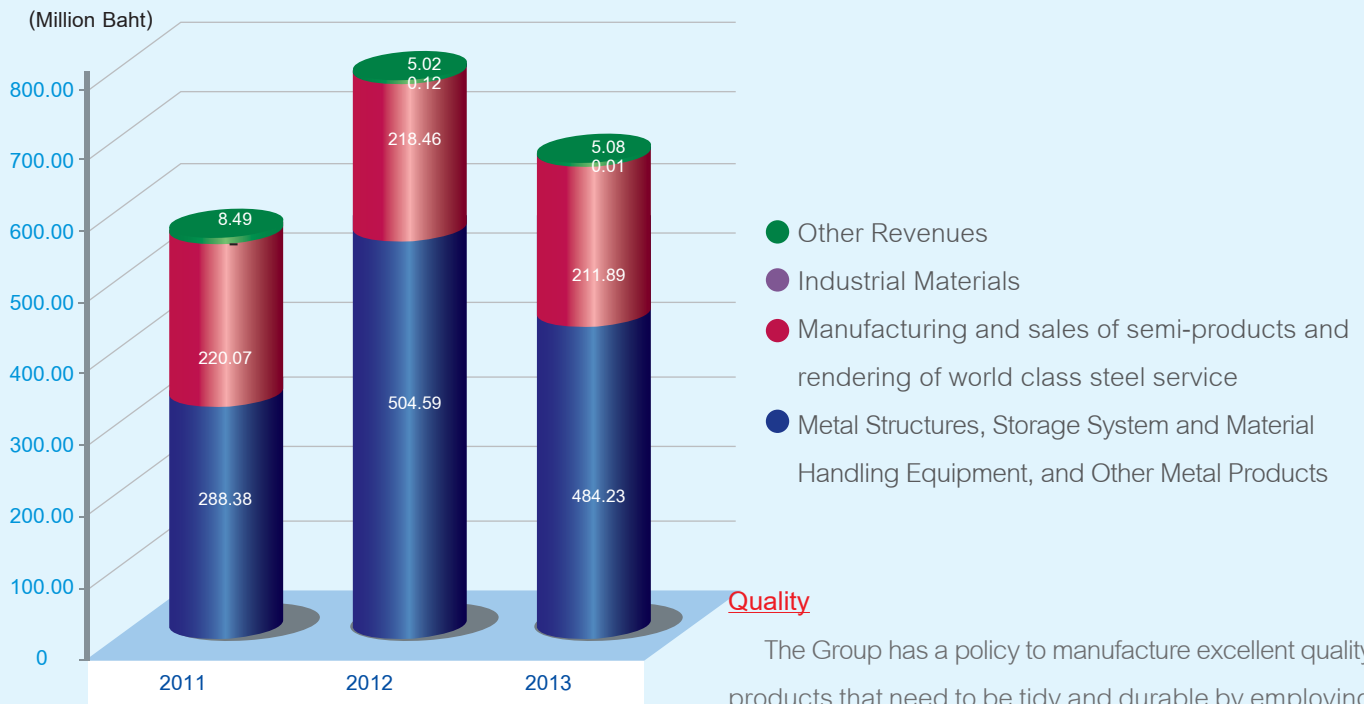
The Group	Asset	Address	Tenure
The Company	Office	88/3 Moo 4, Bypass Road,	Rent
	Area approximately 576 square meters	Nongmaidaeng, Muang, Chonburi	
Siam ISO Pro	Office	88/2 Moo 4, Bypass Road,	Rent
	Area approximately 96 square meters	Nongmaidaeng, Muang, Chonburi	
Mark Worldwide	Office and Factory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

Revenues Structure

Revenue Types	Generating by	2010 / 2011		2011 / 2012		2012 / 2013	
		(Aug 10 - Jul 11)		(Aug 11 - Jul 12)		(Aug 12 - Jul 13)	
		MB	%	MB	%	MB	%
Revenue from Domestic							
• Metal Structures, Storage System and Material Handling Equipment, and Other Metal Products	The Group	275.57	53.31	504.16	69.23	476.94	68.02
• Manufacturing and sales of semi-products and rendering of world class steel service	The Group	220.07	42.57	218.46	30.00	211.89	30.22
• Industrial Materials	The Group	0.00	0.00	0.12	0.02	0.01	0.00
Total Revenue from Domestic		495.64	95.88	722.74	99.25	688.84	98.24
Revenue from International							
• Metal Structures, Storage System and Material Handling Equipment, and Other Metal Products	The Group	12.81	2.48	0.43	0.06	7.29	1.04
• Manufacturing and sales of semi-products and rendering of world class steel service	-	-	-	-	-	-	-
• Industrial Materials	-	-	-	-	-	-	-
Total Revenue from International		12.81	2.48	0.43	0.06	7.29	1.04
• Other Revenues	The Group	8.49	1.64	5.02	0.69	5.08	0.72
Total Revenues		516.94	100.00	728.19	100.00	701.21	100.00

NATURE OF BUSINESS

Revenue Structure by Product Categories



Industry Condition and Competition

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

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

Quality

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

Cost

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

Delivery

The Group emphasizes on on-time delivery of products.

Innovation / Design

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

Service

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

Brand

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

Customer Categories and Prospects

1. Domestic Customers

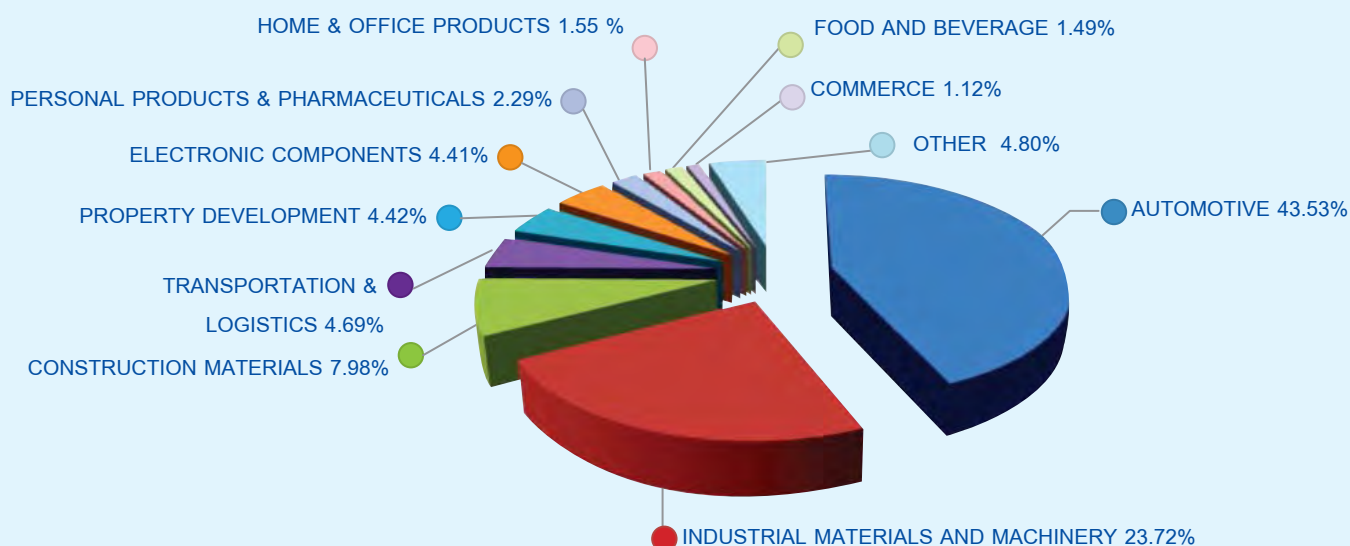
Domestic customers are users who use and employ all metal related products and services. The majority of customers are industrial users with medium to large in corporate sizes including companies in sectors of automotive industry, agribusiness and food industry, consumer products, finance and securities, industrial materials and machinery, property development and construction materials, professional services, energy and utilities, technology, and vice versa, which reside in every region of Thailand. Although, customers are located around the country, the Group is able to deliver and install the products to every customer. The Group maintains good relationships with customers, which resulted in repeated order from most of the customers. As at 31 July 2013, the Group's customer base is well diversified with over 3,000 companies in 25 industrial sectors as follows;

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

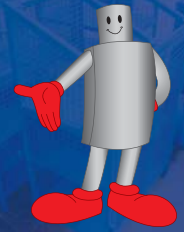
- ▶ Information & Communication Technology
- ▶ Construction Materials
- ▶ Property Development
- ▶ Professional Services
- ▶ Personal Products & Pharmaceuticals
- ▶ Media and Publishing
- ▶ Finance and Securities
- ▶ Petrochemicals and Chemicals
- ▶ Industrial Materials and Machinery
- ▶ Paper and Printing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

2. Foreign Customers

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



RISK FACTORS



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 2011/2012 the metal materials used in the Group's production accounted for 62.52 percent of cost of goods sold, whereas in the year 2012/2013 accounted for 56.39 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

During the year 2011/2012, private sectors who affected from the flood disaster, had started to recover and invested in restoring and mending their production facilities as well as invested in metal structures to store their materials and products. The government sector also had restored the affected areas and issued numerous stimulus policies to encourage investments and businesses expansion. As a result, demands for capital goods and products related to metal structures, storage systems, and material handling equipment had

increased, in which causing the Group's operating performance to improve. Conversely, in 2012/2013 those stimulus policies had ended and the global economies had been still in a recession. These factors had negatively affected the domestic economy especially the automotive industry and the industrial sectors that export their products to other countries. However, as the Group has varieties of products and services and continues developing and offering new products, the Group is able to provide products and services to meet the demands of both existing and new customers, which help the Group, maintains and expands the customer base to cover all industrial sectors. Currently, the Group has a customer base of over 3,000 customers diversify in 25 industries so if a particular industry incurs a contraction, the Group will be able to provide products and services to other growing industries. This customer diversification policy will be able to minimize the risk associated with economic recession.

Risk associated with dependence of domestic market

Presently, the Group's major revenues mainly derive from domestic sales. The proportion of domestic sales in 2010/2011, 2011/2012, and 2012/2013 are 97.48%, 99.94%, and 98.95%, 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 service inquiry. Then the Group will provide consulting services and all the information related to a customer's inquiry. Engineering team will do number of calculations concerning the strength of the steel structure and its loading capacity. The quotation will be prepared later on for customer to do the cost comparison. Then the production process will start only after receiving of customer's confirmed purchased order. According to this selling process, the Group has to deal with an uncertainty in revenue.

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

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

Risk associated with granting lines of credit to customers

As at 31 July 2013 the Group's accounts receivable was Baht 105.67 million, which equaled to 15.18% of sales and service revenues, with average collection period of 53.43 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 also 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 and after sales services. This has impressed the Group's

RISK FACTORS

customers and make customer base to grow along with an increasing number of repeated orders.

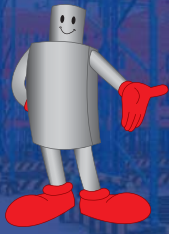
Risk associated with exchange rate

In 2012/2013, 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 16 October 2013, 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.



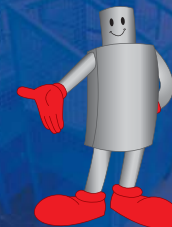
SHAREHOLDER'S STRUCTURE

The major shareholders whose names appeared in the share registrar as at 16 October 2013 are shown as follows;

Name of Shareholders	Number of Shares	%
1. Phongratanadechachai Family Group	218,756,725	72.92
• WKP Asset Plus Company Limited ^{/1}	166,500,00	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
2. Thai NVDR Company Limited	19,639,800	6.55
3. Mr.Surachet Kamonmongkolsuk	2,889,700	0.96
4. Mr.Pairote Kosutarak	2,239,500	0.75
5. Mr.Somboon Wichaitanarak	1,400,000	0.47
6. Mr.Phaphong Pramoj	1,359,100	0.45
7. Mr.Kobkhun Thienpreecha	1,155,700	0.39
8. Mr.Thinkan Phoma	1,070,000	0.36
9. Mr.Somchai Ngamwongwan	1,000,000	0.33
10. Mr.Rungroj Napa-umporn	1,000,000	0.33
11. Mr.Sonthaya Sermsiriwivat	958,200	0.32
Total	251,468,725	83.82

Notes ^{/1} WKP Asset Plus Co., Ltd. is fully owned by Phongratanadechachai Family.

MANAGEMENT STRUCTURE



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

The Board of Directors

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

As of 31 July 2013, the Board of Directors consisted of 8 members as listed below:

Chairman of the Board of Director

1. Mr. Wibool Phongratanadechachai

Director

2. Mr. Komgrich Phongratanadechachai

3. Mr. Satit Phongratanadechachai

4. Miss Suputra Phongratanadechachai

5. Mr. Charoenpong Ongwongsakul

6. Mr. Manop Chiwatanasoonon

7. Mr. Anutara Tantraporn

8. Mr. Patarathorn Thatsanasuwan

Authorized Directors

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

Roles and Responsibilities of the Board of Directors

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

1. To perform their duties with honesty, integrity and prudence in accordance with laws, the Company's objectives, and articles of association, as well as the resolutions of shareholders' meetings, and carefully protects the Company's interests.

2. To set out the direction of the Company's operations and supervise the management team to act in accordance with plans which are set out efficiently and effectively, and thereby maximize the economic

value and wealth of the Company and its shareholders.

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

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

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

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

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

8. To consider and approve business plan, annual expenditure including acquisition or disposal of assets, which exceeding the power of Executive Directors;

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

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 companies.

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

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

5. To increase or decrease registered capital.

6. To liquidate the Company.

7. To issue bonds.

8. To merge the Company with other company.

Criteria and Procedures of Directors and Executives Nomination

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

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

1. Each shareholder has one vote for one share.

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

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

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

MANAGEMENT STRUCTURE

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

Attendance of Director Meeting for the year 2012/2013

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

Board of Directors Remuneration

Name of Director	Year 2010 / 2011		Year 2011 / 2012		Year 2012 / 2013	
	Amount (Baht)	Remuneration	Amount (Baht)	Remuneration	Amount (Baht)	Remuneration
1. Mr.Wibool Phongratanadechachai	66,000.00	Meeting	66,000.00	Meeting	72,000.00	Meeting
2. Mr.Komgrich Phongratanadechachai	-	-	-	-	-	-
3. Mr.Satit Phongratanadechachai	-	-	-	-	-	-
4. Miss Suputra Phongratanadechachai	-	-	-	-	-	-
5. Mr.Charoenpong Ongwongsakul	-	-	-	-	-	-
6. Mr.Manop Chiwatanasoonton	66,000.00	Meeting	66,000.00	Meeting	72,000.00	Meeting
7. Mr.Anutara Tantraporn	52,800.00	Meeting	52,800.00	Meeting	43,500.00	Meeting
8. Mr.Patarathorn Thatsanasuwan	52,800.00	Meeting	52,800.00	Meeting	56,700.00	Meeting

Audit Committee

As at 31 July 2013, the Audit Committee consists of 3 Independent Directors as below;

Chairman of the Audit Committee

1. Mr.Manop Chiwatanasooton

Audit Committee

2. Mr.Anutara Tantraporn

3. Mr.Pattarathon Thatsanasuwan

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

Roles and Responsibilities of the Audit Committee

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

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

2. To review internal control system and internal audit system to ensure appropriateness and effectiveness by cooperating with external auditor and internal auditor. 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 Director for the approval of the Share-

holders' 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 Company Annual Report. 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 which 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 with the aim of complying with the law.

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

MANAGEMENT STRUCTURE

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, or entities that may have conflict of interest, or major shareholder.

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

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

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

Executive Directors

As at 31 July 2013, the Company had 4 members of the Executive Director consisting of:

Chairman of the Executive Director

1. Mr. Komgrich Phongratanadechachai

Executive Director

2. Mr. Satit Phongratanadechachai

3. Miss Suputra Phongratanadechachai

4. Mr. Charoenpong Ongwongsakul

Executive Director's Roles and Responsibilities

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

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

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

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

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

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

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

MANAGEMENT STRUCTURE

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

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

Management Team

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

Organization Chart of the Company as at 31 July 2013



Company Secretary

- | | |
|------------------|----------------------|
| 1. Mrs.Parichard | Phongratanadechachai |
|------------------|----------------------|

Executive Directors Remunerations

	2010 / 2011		2011 / 2012		2012 / 2013	
	Persons	Amount (Baht Million)	Persons	Amount (Baht Million)	Persons	Amount (Baht Million)
Total Salary	6	7.16	6	7.15	6	7.23
Total Bonus	6	0.74	6	0.75	6	0.76
Total	6	7.90	6	7.90	6	8.00

MANAGEMENT STRUCTURE

Details of All Directors and Executives

No	Name	Age (Years)	Academic Qualifications	Share Holding	Family relations between executive	Year	Previous 5-year work experiences Position	Company
1	Mr.Wibool Phongratanadechachai	69	- N/A - Director Accreditation Program (DAP) 26/2004 Thai Institute of Director Association (IOD)	2.50	Father	1995 - Present	Chairman of the Board of Directors *(Authorized Directors)	City Steel Pl.
2	Mr.Komgrich Phongratanadechachai	41	- MBA : Business Administration, Strayer University, USA - BBA : Business Administration, Assumption University - Director Accreditation Program (DAP) 27/2004 Thai Institute of Director Association (IOD)	2.57	Mr.Wibool's son	2002 - Present 1995 - Present	Director / Chief Executive Officer Chairman of Executive Director	City Steel Pl. City Steel Pl.
3	Mr.Sattit Phongratanadechachai	38	- MBA : Business Administration, Shenandoah University, USA - BBA : Business Administration, Assumption University - Director Accreditation Program (DAP) 26/2004 Thai Institute of Director Association (IOD)	2.50	Mr.Wibool's son	2002 - Present 2002 - Present	Director / Managing Director Executive Director	City Steel Pl. City Steel Pl.
4	Miss Suputra Phongratanadechachai	31	- MBA : Business Administration, San Francisco State University, USA - BBA : Business Administration, Assumption University - Director Accreditation Program (DAP) 26/2004 Thai Institute of Director Association (IOD)	2.50	Mr.Wibool's daughter	2003 - Present 2003 - Present	Director / Deputy Managing Director Executive Director	City Steel Pl. City Steel Pl.
							*(Authorized Directors)	

MANAGEMENT STRUCTURE

Details of All Directors and Executives

No	Name	Age (Years)	Academic Qualifications	Share Holding	Family relations between executive	Previous 5-year work experiences		
						Year	Position	Company
5	Mr.Charoenpong Ongwongsakul	35	- B.Eng : Electrical Engineering King Monkut's University of Technology Thonburi - Director Accreditation Program (DAP) 61/2007 Thai Institute of Director Association (IOD)	0.30	Brother of Mr.Komgrich's spouse	2005 - Present	Director / Deputy Managing Director	City Steel Pcl.
6	Mr.Manop Chiwatanasonton	58	- M.A. : Social Development Kasetsart University - B.Econ : Economics (Public Finance) Ramkhamhaeng University - Director Accreditation Program (DAP) 27/2004 Thai Institute of Director Association (IOD)	0.12	-	2006 - Present	Independent Director / Chairman of the Audit Committee	City Steel Pcl.
						2012 - Present	Director, Bureau of Industrial Management Development	Bureau of Industrial Management Development
						2010 - 2012	Director, Bureau of Supporting Industrial Development	Bureau of Supporting Industrial Development
						2007 - 2009	Director, Bureau of Industrial Management Development	Bureau of Industrial Management Development

MANAGEMENT STRUCTURE

Details of All Directors and Executives

No	Name	Age (Years)	Academic Qualifications	Share Holding	Family relations between executive	Previous 5-year work experiences		
						Year	Position	Company
7	Mr.Anutara Tantraporn	42	- MA : Animation & Interactive Multimedia, Visual Communication RMIT University, Australia - Grad. DIP : Animation & Interactive Multimedia, Visual Communication RMIT University, Australia - Cert. DIP : Computer Aided Art & Design, School of Art and Design, RMIT University, Australia - Director Accreditation Program (DAP) 61/2007	-	-	2006 - Present 2010 - Present 2009 - Present 2009 2009	Independent Director / Audit Committee Executive Director ICT Division Manager Executive Director Chief Technology Officer	City Steel Pcl. Hastin Kindergarten Phrararn 3 Honda Cars Co., Ltd. (Head Office) Ideoseed Co., Ltd. Learn Balance Group
8	Mr.Pattarathon Thatsanasuwan	38	Thailand Institute of Director Association (IOD) - LL.B. : Law, Ramkhamhaeng University - B.Sc. : Science, Chandrakasem Rajabhat University - Director Accreditation Program (DAP) 61/2007 Thailand Institute of Director Association (IOD)	-	-	2006 - Present 2010 - Present	Independent Director / Audit Committee Consultant and Partner	City Steel Pcl. Beyond99 Insurance Broker Co., Ltd Thai Fitting Home Group PTM and Associate Limited Partnership Law Office. Pattarathon and Friend Law Office Donjaedee Mansion Project 2

MANAGEMENT STRUCTURE

Details of All Directors and Executives

No	Name	Age (Years)	Academic Qualifications	Share Holding	Family relations between executive	Previous 5-year work experiences		
						Year	Position	Company
9	Miss Walailuk Kuhapensang	50	- Upper Secondary School Metropolis Non-Formal Education Center - Director Accreditation Program (DAP) 27/2004	0.00 ^{/1}	-	2006 - Present	General Manager - Core Function	City Steel Pcl.
			Thailand Institute of Director Association (IOD)					
10	Miss Boontip Phetrui	38	BBA : Management, Accounting Phuket Rajabhat University	0.00 ^{/1}	-	2006 - Present	General Manager - Support Function / Accounting and Finance Manager	City Steel Pcl.

Remark ^{/1} Hold 15 shares, equal to 0.0000005%

MANAGEMENT STRUCTURE

Details of Subsidiaries' Directors

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

Remark

- A = Chairman of the Board of Director
- B = Chairman of Executive Director, Chief Executive Officer
- C = Managing Director
- D = Chief Financial Officer
- E = Deputy Managing Director
- / = Director
- // = Executive Director



CORPORATE GOVERNANCE

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

1. Corporate Governance Policy

To maintain a sustainable growth, the Company and the Board of Directors has determined the corporate governance policy 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 shareholders' wealth.
3. Implement appropriate and effective internal control systems, evaluate risk factors, along with regularly set strategies, make corrective actions, and monitor risk management.
4. Treat all shareholders and stakeholders equally and fairly.
5. Segregate clearly structures, duties, and responsibilities of each Board of Committee.
6. Monitor and encourage all directors, management, and employees to operate and do business ethically and fairly.

2. The Shareholders' Rights

The rights to receive company information

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

The rights to vote and express opinion

The Chairman shall be responsible for appropriate

time management and encouraging shareholders to give their opinions and ask questions freely.

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

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

3. The Stakeholders' Rights

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

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

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

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

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

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

4. Shareholder Meetings

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

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

5. The Leadership and Vision

Leaderships and vision of the Board of Directors

CORPORATE GOVERNANCE

according to the best practices of good corporate governance are listed below:

- The Board of Directors participates in the formulation (or provides its approval) of the vision, mission, strategies, business plan, goals, and budget of the Company. It also oversees that management operates efficiently and effectively in accordance with the predetermined business plan and budget, with a view to creating the highest economic value for the business, and the greatest degree of stability for shareholders.
- The Board of Directors ensures that the Company has a system of internal controls, internal audit activities, and risk management measures. The Board of Directors monitors the progress of such activities on a regular basis through Audit Committee's Meetings and Board of Directors' Meetings.
- The Board of Directors monitors management's operation to be consistent with the predetermined policy except for transactions that may have conflict of interests or transactions that required shareholders' opinion, according to regulations of the Security Exchange Commission and the Stock Exchange of Thailand.
- The Board of Directors determines and provides a clear distinction between the roles, duties, and responsibilities of the Board of Directors and the Executive Board, as per the details contained under the heading "Management Structure"

6. Conflicts of Interest

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

- Transactions that may have conflict of interests

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

tions, which consequently propose to the Board of Directors. Furthermore, the Company will strictly conduct the transactions that may have conflict of interests according to rules and regulations of the Stock Exchange of Thailand.

- Supervision of the usage of inside information

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

7. Business Ethics

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

Ethics for business operation

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

Shareholder :

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

Customers :

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

Suppliers or Creditors :

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

Competitors :

The Company shall operate the business within the good competition rules

Employees :

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

Nation :

The Company shall operate its business to create

improvement and development to the nation under proper customs, regulations, and relevant laws.

Community :

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

Ethics of the Board of Directors

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

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

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

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

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

8. Balance of power by Non-Executive Director

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

- 4 Executive members
- 4 Non-executive members

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

9. Merging or Splitting of Titles

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

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

10. Remuneration of Directors and Executives

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

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

11. Directors Meeting

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

12. Sub-Committee

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

13. Internal Control and Internal Audit System

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

CORPORATE GOVERNANCE

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

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

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

14. Report of the Board of Directors

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

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

The Audit Committee has an opinion that, the Company sufficiently and properly maintains internal control system and acceptable risk management, which in turn ensure

that the financial statements are presented fairly and accurately.

15. Relationship with Investors

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

Supervision of the Usage of Inside Information

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

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

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

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

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

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

Dividend Policy

The Company has a policy to pay approximately 40% of its net profit after tax and legal reserve as dividends.

However, the dividend payout maybe changed according to future investment plans and any other actions that deemed necessary and appropriate. The changes in dividend payments should be under the condition that those actions must be taken for the best interests of shareholders, such as the provision for loan repayment, the new investment in business expansion, or in the case of any adverse change that might affect the Company's cash flow. The Board of Directors is authorized to consider the dividend payment, however, the resolution of dividend payment must be proposed for the approval of shareholders' meeting except for the case of interim dividend payment as the Board of Directors has the authority to approve before informing the interim payment to the subsequent shareholders' meeting.

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

The Company paid dividend for 2011/2012 operating performance at Baht 0.16 per share or equal to 40% of net profit after tax and legal reserve.

RELATED PARTY TRANSACTIONS

Amounts and Ending Balances of Related Party Transactions

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

Person/Juristic Person who may have conflicts of interests	Relationship	Transactions Details	Transactions Amounts (Million Baht)		Audit Committees' opinion on Related Party Transactions and necessity and appropriateness of transactions
			2011/2012	2012/2013	
			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				
					Audit Committees' opinion : These transactions are appropriately and fairly determined in both commercial terms and pricing policy, and also generate benefits to the Company.

RELATED PARTY TRANSACTIONS

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

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

Person/Juristic Person who may have conflicts of interests	Relationship	Transactions Details	Transactions Amounts (Million Baht)		Audit Committees' opinion on Related Party Transactions and necessity and appropriateness of transactions
			2011/2012	2012/2013	
			2	WKP Asset Plus Co., Ltd. Business: Property Development	
	Address: 88/8 Moo.4 Bypass Road, Nongmaidaeng, Muang, Chonburi, 20000	(2) Siam ISO Pro Co., Ltd. - Rent Expenses	0.01	0.01	Siam ISO Pro Co., Ltd. rents office buildings from WKP Asset Plus Co., Ltd. with total area of 96 square meters. Rental period is 2 years 9 Month from 1 October 2010 to 31 July 2013. Rent expenses are similar to market price of other properties in the same area.
	Mr. Wibool Phongratnadechachai, Mr. Komgrich Phongratnadechachai, Miss Satit Phongratnadechachai, Miss Suputtira Phongratnadechachai, and Mrs. Kheng Phongratnadechachai, Mr. Wibool Phongratnadechachai's spouse, total of 5 persons are the directors of WKP Asset Plus Co., Ltd.	(3) Mark Worldwide Co., Ltd. - Rent Expenses	0.59	0.59	Mark Worldwide Co., Ltd. rents office buildings and factories (Branch 1) with total area of 1,680 square meters and factories (Branch 2) with total area of 8,208 square meters from WKP Asset Plus Co., Ltd. Rental period is 2 years 9 Month from 1 October 2010 to 31 July 2013. Rent expenses are similar to market price of other properties in the same area.
					Audit Committees' opinion: These transactions are appropriately and fairly 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 policy for future related transactions with persons who may have conflict of interest; the Company will proceed using the appropriate consideration and procedures as follows:

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

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

The Audit Committee together with Executive Management have reviewed connected transactions based on the appropriateness and concluded that the connected transactions occurred during the year 2011/2012 were rationale and appropriate in both pricing policies and business terms and create benefits to the Company.

Policy and Future Trend of Connected Transaction

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Position

Assets

As at 31 July 2013, the Group's total assets were Baht 1,113.75 million, which primarily consisted of properties, plants, and equipments accounted for Baht 569.02 million or equal to 50.94% 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 Baht 300.90 million accounted for 27.01% of total assets. The Group's cash and cash equivalents were relatively high as a proportion of total assets since the Group needed to maintain these cash and cash equivalents as working capital. As sales increase, the Group will need more cash flows to operate the business, which including purchasing more goods and materials and incurring more accounts receivable. The remaining cash and cash equivalents will also be used in investing in the new subsidiary for constructing of the factories and office building as well as purchasing of assets used in business operation.

In the year 2012/2013, the Group's total assets increased by Baht 60.44 million or increased by 5.74% compared to those in the accounting period 2011/2012 which as at 31 July 2012 had a value of Baht 1,053.31 million. The increase in the Group's total assets mainly derived from increases in inventory and cash and cash equivalents. The increase in inventory originated from an

increase in raw materials used, which the Group had purchased to manufacture products that already received orders from customers. In addition, cash flow from operating activities that accumulated over the year also contributed to a rise in cash and cash equivalents and the Group's total assets from the year 2011/2012

Quality of Assets

● Trade Accounts Receivables - Net

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

As at 31 July 2012, the Group's outstanding trade accounts receivables were Baht 100.98 million, and as at 31 July 2013 were Baht 105.67 million, which increased by Baht 4.69 million or equal to 4.64%. All of the outstanding balances of trade accounts receivables were not yet due and less-than-3-month overdue, which conformed to the Group's credit policies. The trade accounts receivables aging schedules as at 31 July 2012 and 2013 were presented as follows.

(Unit: Thousand Baht)

Trade accounts receivable	31 July 2012	31 July 2013
Current receivables	58,124	63,491
Past due less than 3 months	42,859	42,177
Past due 3 months to 6 months	-	-
Less: Allowance for doubtful accounts	-	-
Trade accounts receivables - net	100,983	105,668

MANAGEMENT DISCUSSION AND ANALYSIS

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 2011/2012 and 2012/2013. However, the Group had a portion of overdue trade accounts receivables. The trade accounts receivables that past due less than 3 months were resulted from the customers' billing and payment policies that set the payment dates after the actual due dates.

● Inventory

As the Group adopts just-in-time strategy and does

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

As at 31 July 2013, the Group's inventory balance was Baht 34.08 million, increased from the balance as at 31 July 2012 of Baht 25.83 million by Baht 8.25 million or 31.95%. An expansion in total inventory level mainly caused by a rise in amount of raw materials and supplies that had been purchased during the year to served orders from customers.

The Group's inventory balances as at 31 July 2012 and 31 July 2013 were presented below.

(Unit: Thousand Baht)

Inventory	31 July 2012	31 July 2013
Finished products	686	648
Work in process	1,336	947
Raw materials and supplies	23,807	32,486
Total	25,829	34,081
Less: Allowance from declining in value	-	-
Inventory - net	25,829	34,081

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

● Unused Assets

The Group had unused assets with net book value as at 31 July 2013 of Baht 48.42 million, which primarily consisted of office building under construction and machines under installation of City Steel Products. The Group also has investment property which is a plot

of land of Siam ISO Pro with the book value of Baht 18.10 million. This plot of land had appraised by independent appraiser by using market approach at the fair value of Baht 20.96 million. At present, this land has not yet been used in business operation.

Liquidity

For the period 2012/2013 the Group's net cash flows from operating activities were Baht 151.33 million, dropped by Baht 91.84 million or equal to 37.77% compare to the year 2011/2012 which had operating cash flows of Baht 243.17 million. A decrease in cash flows from operating activities primarily due to a reduction in incomes before tax and trade accounts payable as well as an increase in operating assets that included accounts receivable and inventories.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's liquidity ratios equaled to 10.76 times, 11.09 times, and 22.78 times and quick ratios equaled to 8.21 times, 10.36 times, and 21.20 times in 2009/2010, 2010/2011, and 2011/2012, respectively. According to these numbers, the Group's liquidity is financially sound. The Group has strong financial condition and does not have any problems regarding to liquidity.

Since the Group has high liquidity, the Group purchases most of raw materials and supplies in cash in order to get cash discounts. As employing this policy, the Group's average payment period was quite low, equaled to 22.06 days in 2011/2012 and 17.83 days in 2012/2013. For average age of inventory, the Group's average age of inventory equaled to 20.74 days in 2012/2013, which was comparable to 27.05 days in 2011/2012. In addition, the Group's average collection period slightly increased from 47.60 days in 2011/2012 to 53.43 days in 2012/2013. The average collection period figures were considered as normal since the Group's credit terms for most customers were 30-60 days.

The Group had cash outflows from investing activities of Baht 53.42 millions in the year 2012/2013 reduced from Baht 174.77 million in the year 2011/2012. 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 efficiency was remained.

The Group's net cash flows used in financing activities for the year 2011/2012 were Baht 48.00 million, which were the amounts of annual dividend payment to the shareholders.

Suitability of Capital Structures

As at 31 July 2013, shareholders' equity of the Group was Baht 1,089.87 million increased from 31 July 2012 which had shareholders' equity amount of Baht 1,010.86 million by Baht 79.01 million or equal to 7.82%. An increase in shareholders' equity mainly due to an increase in retained earnings. The Group's debt to equity ratios were minimal, equaled to 0.04 times in the year 2011/2012

and 0.02 times 2012/2013 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 expenses to be paid for usual business operation. In the year 2012/2013, the Group's short-term liabilities were Baht 23.07 million decreased by Baht 18.68 million from Baht 41.75 million in the year 2011/2012 due to payment of trade accounts payable and the end of the accounting period.

The major sources of funds for business expansion derived from internal sources. So the Group did not have any long-term loans from external sources or short-term borrowings from financial institution. Nonetheless, during the year 2011/2012 and 2012/2013, the Group did have non-current liabilities of Baht 0.70 million and Baht 0.81 million, which related to employee benefits obligations in respect of the severance payments to employees upon retirement under the Company's article and labor law. The Group determined and recorded these employee benefits as non-current liabilities according to Thai Accounting Standard 19 (TAS19), Employee Benefits.

Operating Results

Overviews

The Group's revenues primarily comes from the manufacturing and sales of metal products as well as rendering services related to metal products which can be classified into 3 categories.

- 1) Manufacturing and sales of Metal Structures, Storage Systems and Material Handling Equipments, and Other Metal Products.
- 2) Manufacturing and sales of Semi-Products and

MANAGEMENT DISCUSSION AND ANALYSIS

Rendering of World Class Steel Services.

3) Sales of Industrial Materials used in factories.

The Group's total revenues in 2010/2011, 2011/2012, and 2012/2013 were Baht 516.94 million, Baht 728.19 million, and Baht 701.21 million which increased by 40.87% in 2011/2012, and decreased by 3.71% in 2012/2013. During the year 2012/2013, the Group's total revenues were slightly decreased due to recession of global economy which negatively affected Thai economy and export sectors. Additionally, as some of government stimulus policies, such as tax benefits for people who purchase their first car, had ended, automotive sector became saturated and did not expand production capacities which resulted in a decrease in demand for the Group's products. Moreover, a decrease in market price of steel was also another factors that contributed to a drop in total revenues in the year 2012/2013.

The Group's expenses consisted of the followings;

1) Cost of sales and services were Baht 380.82 million, Baht 534.39 million, and Baht 519.92 million in 2010/2011, 2011/2012, and 2012/2013 attributable to 73.67%, 73.39%, and 74.15% of total revenues.

2) Selling expenses were Baht 11.16 million in 2010/2011, Baht 9.46 million in 2011/2012, and Baht 8.40 million in 2012/2013, equaled to 2.16%, 1.30%, and 1.20% of total revenues respectively.

3) Administrative expenses were Baht 33.85 million, Baht 34.69 million, and Baht 38.37 million which equaled to 6.55%, 4.76%, and 5.47% of total revenues in 2010/2011, 2011/2012, and 2012/2013.

4) Director and management remuneration were Baht 8.14 million, Baht 8.01 million, and Baht 8.10 million in 2010/2011, 2011/2012, and 2012/2013 which equaled to 1.57%, 1.10%, and 1.16% of total revenues.

Net incomes for the accounting period 2010/2011, 2011/2012, and 2012/2013 were Baht 80.39 million, Baht 139.60 million, and Baht 125.25 million accounted for 15.55%, 19.06%, and 17.86% of total revenues.

Revenues

The Group's total revenues for the last three years

classified by products categories were as follows;

1. Revenues from manufacturing and sales of Metal Structures, Storage Systems and Material Handling Equipment, and Other Metal Products made up the highest portion of total revenues compared to revenues from other categories, which equaled to 55.79%, 69.29%, and 69.06% of total revenues in 2010/2011, 2011/2012, and 2012/2013.

2. Revenues from manufacturing and sales of Semi-products and rendering of World Class Steel Services accounted for 42.57%, 30.00%, and 30.22% of total revenues in 2010/2011, 2011/2012, and 2012/2013.

3. Revenues from sales of Industrial Materials equaled to less than 0.01%, 0.02%, and less than 0.01% of total revenues in 2010/2011, 2011/2012, and 2012/2013.

Almost all revenues from these 3 activities derived from domestic sales. The export revenues were originated from sales of Metal Structures, Storage Systems and Material Handling Equipment, and Other Metal Products. Export revenues were relatively low compared to revenues from products sold domestically. Export revenues were Baht 12.81 million, Baht 0.43 million, and Baht 7.29 million or equaled to 2.48%, 0.06%, and 1.04% of total revenues in 2010/2011, 2011/2012, and 2012/2013, respectively.

In the year 2011/2012, the Group's sales and services revenues were Baht 723.17 million improved by Baht 214.72 million from those in the year 2010/2011 of Baht 508.45 million or improved by 42.23%. After the flooding incident, the government sector had rebuilt the affected areas and issued several policies to stimulate economy and investment. The private sectors who affected from flood had started to restore and renovate their production facilities and warehouses, and invested in Metal Structures to store their products. Thus, the demands for the Group's products had risen. The private sectors especially the automotive industry were not only investing in mending and fixing assets used in production but also boosting capacities to compensate for the shortages during the flooding. In addition, the government's policies that support the automotive industry such as tax benefits for

MANAGEMENT DISCUSSION AND ANALYSIS

people who purchase their first car or expansion of production capacities and exports, also resulted in an increase in the demands for the Group's Storage Systems and Material Handling Equipment products.

However, 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 Baht 696.13 million dropped from those in the year 2011/2012 by Baht 27.04 million or 3.74%.

In the year 2012/2013, the proportion of revenues from each product categories were similar to those in the year 2011/2012. The Group's primary revenues were still derived from manufacturing and sales of Metal Structures, Storage Systems and Material Handling Equipment, and Other Metal Products, which accounted for around 70%.

Cost of Sales and Services and Gross Profit

The Group's cost of sales and services comprised of cost of raw materials and supplies, cost of merchandised products, labor cost, and overheads which included depreciation of plants, machines, tools, and equipments used in production. For the year 2012/2013, cost of sales and services were Baht 519.92 million decreased by Baht 14.47 million or 2.71% from Baht 534.39 million in 2011/2012, which corresponded with a decrease in sales and services revenues.

However, the proportion of cost of sales and services

to total revenues in the year 2012/2013 was 74.15% slightly increased from 73.39% in the year 2011/2012. An increase in depreciation expenses of subsidiary's factories, machines, and equipments that had invested during the year as well as impacts from rising minimum wages that added up on employee related expenses, were accounted for an increase in the proportion of the Group's cost of production and cost of sales and services.

As a result of economic slowdown, exports contraction, and expiration of the government's stimulation packages, the Group's sales and services revenues had declined. In addition, impacts of a raise in minimum wages and an increase in depreciation expenses had brought up the cost of sales and services and consequently decreased the Group's gross profits. In the year 2012/2013, the Group's gross profits were Baht 176.21 million decreased from the year 2011/2012 that generated the gross profits of Baht 188.78 million by Baht 12.57 million or equal to 6.66%. Although, there were many influences that adversely affected the Group's gross profit, the Group still strived to maintain the gross profit margins to be at the same level as those in the year 2011/2012. In the year 2012/2013 the Group's gross profit margins were 25.31% slightly decreased from 26.10% in the year 2011/2012.

Selling and Administrative Expenses and Finance cost

For the period 2012/2013 the Group's selling expenses were Baht 8.40 million with the proportion to total revenues of 1.2% which was comparable to the selling expenses in the year 2011/2012 that had expenses of Baht 9.46 million and the proportion to total revenues of 1.30%. For the administrative expenses, the Group had spent Baht 38.37 million in the year 2012/2013 increased by 10.61% or Baht 3.68 million from Baht 34.69 million in 2011/2012. Also, the proportion of administrative expenses to total revenues increased from 4.76% in 2011/2012 to 5.47% in 2012/2013. The increase in administrative expenses primarily due to an increase in business activities of a subsidiary along with a rise in fixed expenses including depreciation expenses of building and vehicles as well as employee related expenses. Director and management

MANAGEMENT DISCUSSION AND ANALYSIS

remuneration for the year 2012/2013 were Baht 8.10 million, which closed to Baht 8.01 million in the year 2011/2012.

For finance cost, during past years, since the Group utilized funds from shareholder's equity and retained earnings from operation to finance daily business activities and invest in expansion of production capacities, the Group did not have short-term or long-term loans from financial institutions and other sources of funds. So the Group did not incur any finance cost. However, in the year 2011/2012 and 2012/2013, the Group incurred a finance cost which related to discounted interests on the obligations of employee benefits plan amounted to Baht 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 2010/2011, 2011/2012, and 2012/2013 the Group's net profits were Baht 80.39 million, Baht 138.75 million, and Baht 125.25 million, with net profit margins of 15.55%, 19.05%, and 17.86% respectively. The Group's net profits increased by 72.60% in 2011/2012, and decreased by 9.73% in 2012/2013. The increase in net profits in the year 2011/2012 caused by economic stimulation policies of the government that encourage investments and demands for capital goods including Metal Structures, Storage Systems, and Material Handling Equipment. But once, the stimulation policies had ended, domestic economy started to slowdown and expansion of business sectors began to decline, resulted in a shrink in demands for the Group's products. Apart from that, a continuously fall of steel price since the year 2011/2012 also accounted for a decrease in the Group's revenues and hence brought down the Group's net profits in the bottom line.

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 arised

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 also 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 has influences on the Group's operating results since the main materials used in manufacture the Group's products are steel and metal, which accounted for 56.39% of cost of goods sold. Also as the Group employs cost-plus pricing policy to calculate the selling price, so if the steel price goes up, cost of sales will increase and subsequently drive up the sales revenues. Contrary, if the steel price decrease, 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 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 2012/2013, the Company and its subsidiaries paid audit fees to Dharmniti Auditing Company Limited at the amount of Baht 1,145,000.

Other Non-Audit Fees

During the year 2012/2013, the subsidiary paid other non-audit fees which was 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 Baht 40,000.



REPORT OF THE AUDITOR

To 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, 2013, 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, 2013, and the statement of comprehensive income, statement of changes in shareholders' 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 referred to above present fairly, in all material respects, the financial position of City Steel Public Company Limited, and its subsidiaries and the separate financial statements of City Steel Public Company Limited as at July 31, 2013, and the results of its operations and the changes in its shareholders' equity and its cash flows for the year then ended in accordance with the Financial Reporting Standards.



(Miss Wannisa Ngambuathong)

Certified Public Accountant

Registration No. 6838

Dharmniti Auditing Company Limited

Bangkok, Thailand

September 27, 2013

2013/1110/1041

THE STATEMENTS OF FINANCIAL POSITION

CITY STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

THE STATEMENTS OF FINANCIAL POSITION

AS AT JULY 31, 2013

ASSETS

(Unit : Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2013	2012	2013	2012
CURRENT ASSETS					
Cash and cash equivalents	6	300,895,114	250,992,799	18,195,570	7,591,291
Investments in available-for-sale securities	7	82,619,747	80,523,369	-	-
Trade accounts receivable	8				
Related parties	5	-	-	3,665,328	3,095,585
Other parties		105,668,474	100,982,676	3,146,750	8,359,648
Inventories	9	34,080,650	25,829,140	783,861	823,836
Other current assets					
Input tax refundable		1,794,880	4,540,412	-	-
Others		662,113	302,130	241,539	107,161
TOTAL CURRENT ASSETS		525,720,978	463,170,526	26,033,048	19,977,521
NON-CURRENT ASSETS					
Restricted deposits at financial institutions	10	2,413,014	2,376,252	1,815,848	1,784,942
Investments in subsidiaries	11	-	-	623,869,860	623,869,860
Investment property	12	18,100,000	18,100,000	-	-
Property, plant and equipment	13	567,294,284	569,024,039	2,936,856	4,204,413
Intangible assets	14	4,595	439,473	211	242,193
Other non-current asset		213,000	200,500	-	-
TOTAL NON-CURRENT ASSETS		588,024,893	590,140,264	628,622,775	630,101,408
TOTAL ASSETS		1,113,745,871	1,053,310,790	654,655,823	650,078,929

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, 2013

LIABILITIES AND SHAREHOLDERS' EQUITY

(Unit : Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2013	2012	2013	2012
CURRENT LIABILITIES					
Trade accounts payable					
Related parties	5	146,665	139,100	10,785,359	9,093,135
Other parties		15,838,477	35,390,020	80,562	72,685
Other current liabilities					
Advance received for goods		2,231,150	1,794,612	-	-
Corporate income tax payable		214,582	707,124	-	82,241
Others		4,646,254	3,717,548	851,405	890,044
TOTAL CURRENT LIABILITIES		23,077,128	41,748,404	11,717,326	10,138,105
NON-CURRENT LIABILITIES					
Employee benefit obligations	15	807,443	705,927	304,841	267,296
TOTAL NON-CURRENT LIABILITIES		807,443	705,927	304,841	267,296
TOTAL LIABILITIES		23,884,571	42,454,331	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, 2013

LIABILITIES AND SHAREHOLDERS' EQUITY

(Unit : Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2013	2012	2013	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
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
Premium on ordinary shares		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)	-	-
Retained earnings					
Appropriated - statutory reserve		30,000,000	30,000,000	30,000,000	30,000,000
Unappropriated		606,491,498	529,235,650	146,488,461	143,528,333
Unrealized gain on change in value of investment					
in available for sale securities	7	2,604,607	855,614	-	-
Equity attributable to the equity of parent		1,089,861,300	1,010,856,459	642,633,656	639,673,528
Non-controlling interests		-	-	-	-
TOTAL SHAREHOLDERS' EQUITY		1,089,861,300	1,010,856,459	642,633,656	639,673,528
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,113,745,871	1,053,310,790	654,655,823	650,078,929

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, 2013

(Unit : Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2013	2012	2013	2012
REVENUES					
Sales		685,536,559	709,748,780	38,379,895	27,382,306
Service income		10,590,828	13,417,874	1,917,394	1,419,631
Management income		-	-	12,495,150	10,747,200
Dividend income		-	-	49,979,986	-
Other income		5,078,956	5,023,846	6,147,996	13,528,819
Total revenues		701,206,343	728,190,500	108,920,421	53,077,956
EXPENSES					
Cost of sales and services		519,914,458	534,394,127	37,804,343	26,363,560
Selling expenses		8,399,848	9,459,096	190,677	637,583
Administrative expenses		38,362,659	34,685,116	11,514,766	15,480,209
Management benefit expenses		8,101,830	8,014,199	8,101,830	8,014,199
Finance cost		28,579	24,858	10,879	9,451
Total expenses		574,807,374	586,577,396	57,622,495	50,505,002
Profit before corporate income tax		126,398,969	141,613,104	51,297,926	2,572,954
Corporate income tax	20	(1,144,721)	(2,865,639)	(339,398)	(838,982)
Profit for the year		125,254,248	138,747,465	50,958,528	1,733,972
Other comprehensive income					
Unrealized gain (loss) on change in value of investments in available-for-sale securities		1,748,993	855,614	-	-
Other comprehensive income for the year		1,748,993	855,614	-	-
Total comprehensive income for the year		127,003,241	139,603,079	50,958,528	1,733,972
Profit attributable to					
Equity holder of parent (99.99%)		125,254,248	138,747,465	50,958,528	1,733,972
Non-controlling interests (0.01%)		-	-	-	-
		125,254,248	138,747,465	50,958,528	1,733,972

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 (CONT.)
FOR THE YEAR ENDED JULY 31, 2013

(Unit : Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2013	2012	2013	2012
Total comprehensive income attributable to					
Equity holder of parent (99.99%)		127,003,241	139,603,079	50,958,528	1,733,972
Non-controlling interests (0.01%)		-	-	-	-
		127,003,241	139,603,079	50,958,528	1,733,972
Earnings per share					
Profit for the year (Unit : Baht)		0.42	0.46	0.17	0.01
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, 2013

(Unit : Baht)

Consolidated financial statements

	Equity attributable to the equity holders of parent										Non-controlling interests	Total
	Issued and paid-up share capital	Share premium	Difference on reorganization of entities under common control	Retained earnings		Unappropriated	Unrealized gain on change in value of investments in available for sale securities	Total	Non-controlling interests	Total		
				Appropriated - statutory reserve	Unappropriated							
Beginning balance, as at August 1, 2011	300,000,000	166,145,195	(15,380,000)	30,000,000	421,098,948	-	901,864,143	-	901,864,143			
The effect of change in accounting policies	-	-	-	-	(610,763)	-	(610,763)	-	(610,763)			
Beginning balance after adjustment	300,000,000	166,145,195	(15,380,000)	30,000,000	420,488,185	-	901,253,380	-	901,253,380			
Change in shareholders' equity for the year												
Total comprehensive income for the year	-	-	-	-	138,747,465	855,614	139,603,079	-	139,603,079			
Dividend paid	-	-	-	-	(30,000,000)	-	(30,000,000)	-	(30,000,000)			
Ending balance, as at July 31, 2012	300,000,000	166,145,195	(15,380,000)	30,000,000	529,235,650	855,614	1,010,856,459	-	1,010,856,459			
Change in shareholders' equity for the year												
Total comprehensive income for the year	-	-	-	-	125,254,248	1,748,993	127,003,241	-	127,003,241			
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	606,491,498	2,604,607	1,089,861,300	-	1,089,861,300			

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, 2013

(Unit : Baht)

	Separate financial statements						
	Note	Issued and paid-up share capital	Share premium	Retained earnings			Total
				Appropriated - statutory reserve	Unappropriated		
Beginning balance, as at August 1, 2011		300,000,000	166,145,195	30,000,000	172,026,583	668,171,778	
The effect of change in accounting policies		-	-	-	(232,222)	(232,222)	
Beginning balance after adjustment		300,000,000	166,145,195	30,000,000	171,794,361	667,939,556	
Change in shareholders' equity for the year							
Total comprehensive income for the year		-	-	-	1,733,972	1,733,972	
Dividend paid	17	-	-	-	(30,000,000)	(30,000,000)	
Ending balance, as at July 31, 2012		300,000,000	166,145,195	30,000,000	143,528,333	639,673,528	
Change in shareholders' equity for the year							
Total comprehensive income for the year		-	-	-	50,958,528	50,958,528	
Dividend paid	17	-	-	-	(47,998,400)	(47,998,400)	
Ending balance, as at July 31, 2013		300,000,000	166,145,195	30,000,000	146,488,461	642,633,656	

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, 2013

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Cash flows from operating activities				
Profit before corporate income tax	126,398,969	141,613,104	51,297,926	2,572,954
Adjustments to reconcile to net cash provided by (used in) operating activities: -				
Depreciation and amortization	58,843,225	51,369,913	608,533	1,881,443
Gain on sales of investments in available-for-sale securities	(347,385)	(72,919)	-	-
Loss on unclaimed withholding tax	6,551	120,046	-	-
(Gain) loss on sales of fixed assets	(48,719)	(49,999)	(52)	(4,217,145)
Loss on written-off fixed asset	414,275	-	1,881	-
Employee benefit obligations	72,937	70,306	26,666	25,623
Dividend income from investments in subsidiaries	-	-	(49,979,986)	-
Income from interest discounted from sale under installment plan	-	(91,369)	-	-
Interest income	(3,655,279)	(4,368,749)	(135,620)	(297,020)
Finance cost	28,579	24,858	10,879	9,451
Profit from operating activities before changes in operating assets and liabilities	181,713,153	188,615,191	1,830,227	(24,694)
(Increase) decrease in operating assets				
Trade accounts receivable	(4,685,798)	13,725,563	4,643,155	(3,701,439)
Inventories	(8,251,509)	28,637,222	39,976	1,630,672
Other current assets	2,593,437	10,190,019	65,090	54,343
Other non-current assets	(12,500)	-	-	-
Increase (decrease) in operating liabilities				
Trade accounts payable	(19,543,978)	5,577,025	1,700,101	8,321,305
Other current liabilities	1,365,243	(571,497)	(38,639)	(397,447)
Cash received from (used in) operating activities before corporate income taxes	153,178,048	246,173,523	8,239,910	5,882,740
Corporate income taxes paid	(1,851,702)	(2,998,406)	(621,108)	(984,852)
Net cash flows provided by (used in) operating activities	151,326,346	243,175,117	7,618,802	4,897,888

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

STATEMENT OF CASH FLOWS

CITY STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF CASH FLOWS (CONT.)
FOR THE YEAR ENDED JULY 31, 2013

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Cash flows from investing activities				
Increase in deposits restricted at financial institutions	(36,762)	(33,362)	(30,906)	(30,162)
Proceeds from sales of fixed asset	116,075	50,000	899,177	8,476,309
Proceeds from sales of investments in available-for-sale securities	-	49,405,165	-	-
Cash paid for investment in available-for-sale securities	-	(129,000,000)	-	-
Interest received	3,655,279	4,368,749	135,620	297,020
Dividend received	-	-	49,979,986	-
Cash paid for purchases of fixed assets	(57,160,223)	(99,562,419)	-	-
Net cash flows provided by (used in) investing activities	(53,425,631)	(174,771,867)	50,983,877	8,743,167
Cash flows from financing activities				
Dividend paid	(47,998,400)	(30,000,000)	(47,998,400)	(30,000,000)
Net cash flows provided by (used in) financing activities	(47,998,400)	(30,000,000)	(47,998,400)	(30,000,000)
Net increase (decrease) in cash and cash equivalents	49,902,315	38,403,250	10,604,279	(16,358,945)
Cash and cash equivalents at beginning of the years	250,992,799	212,589,549	7,591,291	23,950,236
Cash and cash equivalents at end of the years	300,895,114	250,992,799	18,195,570	7,591,291
Supplemental cash flows information: -				
1. Cash and cash equivalents consisted of: -				
Cash on hand	743,097	578,394	78,690	89,555
Cash at bank - Saving account	199,033,691	200,301,715	18,041,722	7,432,159
- Current account	107,852	102,390	64,684	59,277
- Fixed deposit 3 months	101,010,474	10,300	10,474	10,300
Short-term investment - bill of exchange (less than 3 month)	-	50,000,000	-	-
	300,895,114	250,992,799	18,195,570	7,591,291

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

AS AT JULY 31, 2013

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 onestop metal processing services and the sale of metals.

(c) Major shareholder Name

Its major shareholder is WKP Asset Plus Company Limited.

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 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 2013	July 31 2012	July 31 2013	July 31 2012	July 31 2013	July 31 2012
		Siam ISO Pro Co., Ltd	Sale of metal products and industrial materials and equipments	99.99	99.99	13.34	15.36
Mark Worldwide Co., Ltd	Manufacture and sale of metal products	99.99	99.99	31.89	36.63	30.78	30.53
City Steel Products Co., Ltd	Manufacture and sale of metal products	99.99	99.99	52.33	45.82	63.05	63.51

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.

NOTES TO FINANCIAL STATEMENTS

3. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

3.1 Basis for the preparation of financial statements

These financial statements are prepared in accordance with the Accounting Standard prescribed by Thai Accounts Act enunciated under the Accounting Profession Act B.E.2547 by complying with the financial reporting standards for Publicly Accountable Entities. The presentation of the financial statements has been made in compliance with the Notification of the Department of Business Development, the Ministry of Commerce, re : the financial statements 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 New accounting standards issued during the period and not yet effective

The Federation of Accounting Professions (FAP) has issued Notifications to mandate the use of the revised 2009, and the new 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.

NOTES TO FINANCIAL STATEMENTS

In addition to above new and revised TFRS and Announcements, the Federation of Accounting Professions (FAP) had issued a number of new accounting standard which are effective for the fiscal year beginning on or after January 1, 2014, as follows.

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
TSIC 29	Service Concession Arrangements : Disclosure

New accounting standard which is effective for the fiscal year beginning on or after January 1, 2016, as follows.

TFRS 4	Insurance Contracts
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The management of the Company evaluated that these new financial reporting standard, accounting standard interpretations and accounting treatment guidance will not have any significant impact on the financial statements when it is 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.



NOTES TO FINANCIAL STATEMENTS

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.

NOTES TO 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).

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

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

NOTES TO FINANCIAL STATEMENTS

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.

NOTES TO FINANCIAL STATEMENTS

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. 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.

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



NOTES TO FINANCIAL STATEMENTS

4.13 Corporate income tax

The Company and its subsidiaries record income tax expense, based on the amount currently payable under the Revenue Code at the income tax rates (year 2012/2013 : 23%, year 2011/2012 : 30%) of net profit before income tax, after adding back certain expenses which are non-deductible for income tax computation purposes, and less certain transactions which are exemption or allowable from income tax.

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

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.

NOTES TO FINANCIAL STATEMENTS

5. RELATED PARTY TRANSACTIONS

Related parties are as follows

(Unit : Baht)

	Nature of business	Relationship
Subsidiary Company		
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
Related Companies		
Siam C.T.P. Industry Co., Ltd.	Sale of metal automotive accessories	Common shareholders
WKP Asset Plus Co., Ltd.	Real Estate	Major shareholder

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 year ended July 31,				Pricing Policies
	Consolidated financial statements		Separate financial statements		
	2013	2012	2013	2012	
Transactions with related companies					
Electricity expenses	1.5	1.4	-	-	Cost plus margin
Rental expenses	0.6	0.6	-	-	Based on contract
Transactions with subsidiaries					
Sales of finished goods and raw materials	-	-	-	1.5	Cost plus margin and cost
Management income	-	-	12.5	10.7	Cost plus margin
Service income	-	-	4.5	7.1	Cost plus margin
Electricity income	-	-	1.4	1.4	Cost plus margin
Gasoline income	-	-	-	0.5	Cost plus margin
Purchases of finished goods	-	-	37.1	21.6	Cost plus margin
Car rental expenses	-	-	-	0.1	Based on contract
Sales of fixed assets	-	-	0.9	8.4	Fair value and book value

NOTES TO FINANCIAL STATEMENTS

The balances of the accounts as at July 31, 2013 and 2012 between the Company and those related companies are as follows:

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	As at July 31, 2013	As at July 31, 2012	As at July 31, 2013	As at July 31, 2012
Trade accounts receivable - related parties				
Siam ISO Pro Co., Ltd.	-	-	16,371	62,916
Mark Worldwide Co., Ltd.	-	-	1,219,308	972,705
City Steel Products Co., Ltd.	-	-	2,429,649	2,059,964
Total trade accounts receivable - related parties			3,665,328	3,095,585
Trade accounts payable - related parties				
Mark Worldwide Co., Ltd.	-	-	-	69,058
City Steel Products Co., Ltd.	-	-	10,785,389	9,024,077
Siam C.T.P. Industry Co., Ltd.	146,665	139,100	-	-
Total trade accounts payable - related parties	146,665	139,100	10,785,389	9,093,135

6. CASH AND CASH EQUIVALENTS

This account consisted of:

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	As at July 31, 2013	As at July 31, 2012	As at July 31, 2013	As at July 31, 2012
Cash on hand and petty cash	743,097	578,394	78,690	89,555
Cash at banks - Savings account	199,033,691	200,301,715	18,041,722	7,432,159
- Current account	107,852	102,390	64,684	59,277
Fixed deposits 3 months	101,010,474	10,300	10,474	10,300
Short-term investment - bill of exchange (less than 3 month)	-	50,000,000	-	-
	300,895,114	250,992,799	18,195,570	7,591,291

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

Short-term investment carries interest at 3.00% per annum.

7. INVESTMENTS IN AVAILABLE-FOR-SALE SECURITIES

This account consisted of:

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	As at July 31, 2013	As at July 31, 2012	As at July 31, 2013	As at July 31, 2012
Investments in available-for-sale securities - at cost				
- Open fund (Money Market Fund)	70,196,340	79,667,755	-	-
- Open fund (Fixed Income Fund)	9,818,800	-	-	-
	80,015,140	79,667,755	-	-
Add : Unrealized gain (loss) on change in value of investments	2,604,607	855,614	-	-
Investments in available-for-sale securities - fair value	82,619,747	80,523,369	-	-

NOTES TO FINANCIAL STATEMENTS

8. TRADE ACCOUNTS RECEIVABLE

The outstanding balances of trade accounts receivable as at July 31, 2013 and 2012, as classified by due dates, are as follows:

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	As at July 31, 2013	As at July 31, 2012	As at July 31, 2013	As at July 31, 2012
Age of receivables				
Undue	63,491,128	58,123,493	4,725,546	8,444,343
Less than 3 months overdue	42,177,346	42,859,183	2,086,532	3,010,890
Over 3 months to 6 months	-	-	-	-
Net	105,668,474	100,982,676	6,812,078	11,455,233

9. INVENTORIES

This account consisted of:

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	As at July 31, 2013	As at July 31, 2012	As at July 31, 2013	As at July 31, 2012
Finished goods	648,025	686,045	-	-
Work in process	946,687	1,336,530	-	-
Raw materials	32,485,938	23,806,565	783,861	823,836
Total	34,080,650	25,829,140	783,861	823,836

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.

11. INVESTMENTS IN SUBSIDIARIES

As at July 31, 2013 and 2012 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
	2013	2012	2013	2012	2013	2012	2013
Siam ISO Pro Co., Ltd.	112,000,000	112,000,000	146,234,795	156,749,181	111,999,940	111,999,940	10,751,994
Mark Worldwide Co., Ltd.	280,200,000	280,200,000	366,193,967	401,989,711	264,819,940	264,819,940	39,227,992
City Steel Products Co., Ltd.	247,050,000	247,050,000	577,336,794	457,765,820	247,049,980	247,049,980	-
Total investments in subsidiaries			1,089,765,556	1,016,504,712	623,869,860	623,869,860	49,979,986

12. INVESTMENT PROPERTY

During the third quarter of the year 2009/2010, the subsidiary had purchased a plot of land at the amount of Baht 18.10 million and had already obtained the title of this land.

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.

NOTES TO FINANCIAL STATEMENTS

13. PROPERTY, PLANT AND EQUIPMENT

This account consisted of:

(Unit : Baht)

	Consolidated financial statements				Balance As at July 31, 2013
	Balance As at July 31, 2012	Additions	Deduction	Transfers in (out)	
<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
Work in progress	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

(Unit : Baht)

	Consolidated financial statements				Balance As at July 31, 2012
	Balance As at July 31, 2011	Additions	Deduction	Transfers in (out)	
<u>At cost</u>					
Land	58,858,269	-	-	-	58,858,269
Building	121,331,040	-	-	74,927,710	196,258,750
Machinery and equipment	404,957,607	6,013,000	-	73,909,597	484,880,204
Vehicle	40,873,330	-	(70,000)	-	40,803,330
Furniture and office equipment	12,824,446	318,098	-	-	13,142,544
Work in progress	71,543,293	93,231,321	-	(148,837,307)	15,937,307
Total	710,387,985	99,562,419	(70,000)	-	809,880,404
<u>Less Accumulated depreciation :</u>					
Building	20,784,719	7,229,504	-	-	28,014,223
Machinery and equipment	125,557,648	41,614,516	-	-	167,172,164
Vehicle	35,781,243	741,259	(69,999)	-	36,452,503
Furniture and office equipment	7,932,152	1,285,323	-	-	9,217,475
Total	190,055,762	50,870,602	(69,999)	-	240,856,365
Property, plant and equipment, net	520,332,223				569,024,039

Depreciation for the years ended July 31,

2013 (Baht 54.11 million included in cost of sales and services and the balance in administrative expenses)	58,408,347
2012 (Baht 45.20 million included in cost of sales and services and the balance in administrative expenses)	50,870,602

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)	
<u>At cost</u>					
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
<u>Less Accumulated depreciation :</u>					
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

(Unit : Baht)

	Separate financial statements				Balance As at July 31, 2012
	Balance As at July 31, 2011	Additions	Deduction	Transfers in (out)	
<u>At cost</u>					
Building	4,464,395	-	-	-	4,464,395
Machinery and equipment	47,694,789	-	(9,557,750)	-	38,137,039
Vehicle	17,931,357	-	(8,505,074)	-	9,426,283
Furniture and office equipment	4,166,257	-	-	-	4,166,257
Total	74,256,798	-	(18,062,824)	-	56,193,974
<u>Less Accumulated depreciation :</u>					
Building	1,112,666	221,845	-	-	1,334,511
Machinery and equipment	41,171,097	1,328,240	(5,363,445)	-	37,135,892
Vehicle	17,862,839	3,656	(8,440,215)	-	9,426,280
Furniture and office equipment	4,021,548	71,330	-	-	4,092,878
Total	64,168,150	1,625,071	(13,803,660)	-	51,989,561
Property, plant and equipment, net	10,088,648				4,204,413
Depreciation for the years ended July 31,					
2013 (Total included in administrative expenses)					366,551
2012 (Total included in administrative expenses)					1,625,071

A subsidiary has mortgaged land and construction with a total net book value as at July 31, 2013, of Baht 140.9 million (As at July 31, 2012 : Baht 145.8 million) to secure credit facilities from financial institution.

NOTES TO FINANCIAL STATEMENTS

As at as at July 31, 2013 and 2012, 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 65.5 million and Baht 64.6 million, respectively (the company : Baht 47.0 million and Baht 46.9 million, respectively).

14. INTANGIBLE ASSETS

This account consisted of:

	Consolidated financial statements			(Unit : Baht)
	Balance As at July 31, 2012	Additions	Deduction	Balance As at July 31, 2013
<u>At cost</u>				
Computer software	2,006,770	-	-	2,006,770
<u>Less</u> Accumulated amortization	1,567,297	434,878	-	2,002,175
Intangible assets - net	439,473			4,595

	Consolidated financial statements			(Unit : Baht)
	Balance As at July 31, 2011	Additions	Deduction	Balance As at July 31, 2012
<u>At cost</u>				
Computer software	2,006,770	-	-	2,006,770
<u>Less</u> Accumulated amortization	1,067,986	499,311	-	1,567,297
Intangible assets - net	938,784			439,473
Amortization for the years ended July 31, (Included in administrative expenses)				
2013				434,878
2012				499,311

	Separate financial statements			(Unit : Baht)
	Balance As at July 31, 2012	Additions	Deduction	Balance As at July 31, 2013
<u>At cost</u>				
Computer software	1,279,270	-	-	1,279,270
<u>Less</u> Accumulated amortization	1,037,077	241,982	-	1,279,059
Intangible assets - net	242,193			211

NOTES TO FINANCIAL STATEMENTS

(Unit : Baht)

	Separate financial statements			Balance As at July 31, 2012
	Balance As at July 31, 2011	Additions	Deduction	
<u>At cost</u>				
Computer software	1,279,270	-	-	1,279,270
<u>Less Accumulated amortization</u>	780,705	256,372	-	1,037,077
Intangible assets - net	498,565			242,193
Amortization for the years ended July 31, (Included in administrative expenses)				
2013				241,982
2012				256,372

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

15. OBLIGATIONS FOR EMPLOYEE BENEFITS

The Company has adopted the accounting standard No.19 (TAS 19) regarding employee benefits, which became effective since January 1, 2011, details are as follows :

(Unit : Baht)

Statement of financial position	Consolidated		Separate	
	financial statements		financial statements	
	2013	2012	2013	2012
Employee benefit obligation, beginning of the years	705,927	610,763	267,296	232,222
Current service costs	72,937	70,306	26,666	25,623
Finance cost	28,579	24,858	10,879	9,451
Employee benefit obligation, ending of the years	807,443	705,927	304,841	267,296

Expense recognized in the statements of comprehensive income

(Unit : Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2013	2012	2013	2012
Cost of sales and services	14,783	14,426	-	-
Administrative expenses	34,693	33,337	3,205	3,080
Management benefit expenses	23,461	22,543	23,461	22,543
Interest on obligation	28,579	24,858	10,879	9,451
	101,516	95,164	37,545	35,074

NOTES TO FINANCIAL STATEMENTS

Primary assumptions for estimation according to actuarial principles

For the year ended July 31, 2013 and 2012	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	Refer to OIC Thai Mortality Rate Table
	2008	2008

16. 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 separate statement of financial position as at July 31, 2013 and 2012, the Company's debt-to-equity ratio was 0.019:1 and 0.016:1, respectively.

17. DIVIDEND

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.

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

18. 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)

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Raw material and consumable used	387,278,905	418,019,878	39,976	1,739,877
Change in inventories of finished goods and work in process	427,863	(392,678)	-	-
Depreciation and amortization	58,843,225	51,369,913	608,533	1,881,443
(Gain) loss on exchange rate	(947,206)	(325,182)	-	-
Employee benefit cost	52,208,204	46,628,138	14,936,558	17,066,921
Employee benefits	72,937	70,306	26,666	25,623

NOTES TO FINANCIAL STATEMENTS

19. 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 year ended July 31, 2013 and 2012 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).

20. CORPORATE INCOME TAX

Corporate Income Tax Consisted of:

(Unit : Baht)

	Consolidated Statement of comprehensive income		Separate Statement of comprehensive income	
	2013	2012	2013	2012
Main Components of Corporate Income Tax Expense (Revenue)				
Profit before Corporate Income Tax	126,398,969	141,613,104	51,297,926	2,572,954
Entries Adjusted to Arrive at Taxable Profit				
Expenses - Not Tax Deductible	350,485	576,472	158,904	242,652
Expenses (Reversal) - Tax Deductible	(311,441)	(111,769)	(1,200)	(19,000)
Related transactions	(2,122,402)	3,822,215	-	-
Exemption of non-taxable dividend income	-	-	(49,979,986)	-
Net profit exempted from investment promotion	(119,338,564)	(136,347,892)	-	-
Taxable profit	4,977,047	9,552,130	1,475,644	2,796,606
Corporate Income Tax Expenses	1,144,721	2,865,639	339,398	838,982

21. 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).

NOTES TO FINANCIAL STATEMENTS

Revenues of its subsidiaries for the years ended July 31, 2013 and 2012 as classified by the promoted and non-promoted operations are as follows:-

(Unit : Baht)

	2013			2012		
	Promoted activity	Non-Promoted activity	Total	Promoted activity	Non-Promoted activity	Total
Domestic revenues						
Sales	477,639,893	-	477,639,893	497,230,514	-	497,230,514
Other income	2,000,330	309,041	2,309,371	980,233	-	980,233
Total domestic revenues	479,640,223	309,041	479,949,264	498,210,747	-	498,210,747

22. FINANCIAL INFORMATION BY SEGMENT

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

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, 2013, 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	1.3

23.2 Guarantees

As at July 31, 2013 and 2012, there were outstanding bank guarantees of approximately Baht 2.2 million and Baht 1.4 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.

NOTES TO FINANCIAL STATEMENTS

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, 2012 : Baht 410 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.

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.



NOTES TO FINANCIAL STATEMENTS

Significant financial assets and liabilities as at July 31, 2013 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	301	-	301	0.00 - 2.90
Investments in available-for-sale securities	-	83	83	-
Trade accounts receivable	-	106	106	-
Deposits with restrictions	2	-	2	1.65 - 2.35
	303	189	492	
Financial liabilities				
Trade accounts payable	-	16	16	-
	-	16	16	

(Unit : Million Baht)

Separate financial statements	Floating interest rate	Non-interest bearing	Total	Interest rate (% p.a.)
Financial assets				
Cash and cash equivalents	18	-	18	0.00 - 1.00
Trade accounts receivable	-	7	7	-
Deposits with restrictions	2	-	2	1.65 - 1.70
	20	7	27	
Financial liabilities				
Trade accounts payable	-	11	11	-
	-	11	11	

NOTES TO FINANCIAL STATEMENTS

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, 2012 have been reclassified to conform to the current period classification but with no effect to previously reported net income or shareholders' equity.

26. EVENTS AFTER THE REPORTING PERIOD

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.

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.

27. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorized for issue by the Company's Board of Directors on September 27, 2013. 