

CITY STEEL PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO INTERIM FINANCIAL STATEMENTS

OCTOBER 31, 2022

1. GENERAL INFORMATION

(a) Legal status and address

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

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

(b) Nature of the Company's business

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

(c) Major shareholder Name

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

2. BASIS FOR CONSOLIDATION OF CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2.1 The accompanying consolidated interim financial statements include the accounts of City Steel Public Company Limited and the following subsidiaries which are owned directly and indirectly by the Company which are incorporated in Thailand and in foreign country. And the percentage of total assets and total revenues of the subsidiaries included in the consolidated interim 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 revenue for the three-month period ended	
		October 31, 2022	July 31, 2022	October 31, 2022	July 31, 2022	October 31, 2022	October 31, 2021

● Direct subsidiaries held by the Company

Siam ISO Pro Co., Ltd.	Sale of metal products and industrial materials and equipments	99.99	99.99	24.62	24.77	0.04	0.04
Mark Worldwide Co., Ltd.	Manufacture and sale of metal products	99.99	99.99	23.85	24.14	94.39	91.97
City Steel Products Co., Ltd. (Registered for dissolution on October 28, 2021)	Manufacture and sale of metal products	-	-	-	-	-	2.42
● Indirect subsidiaries held by Siam ISO Pro Co., Ltd.							
CT Universal Co., Ltd.	Has not started operation	100.00	100.00	16.83	16.34	0.85	0.97

2.2 These consolidated interim financial statements have been prepared on the same basis as that applied for the consolidated financial statements for the year ended July 31, 2022. There has been no change in the composition of its subsidiaries during the period.

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 interim financial statements.

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

2.5 The interim financial statements of an overseas subsidiary are translated into Thai Baht at the closing exchange rate as to assets and liabilities, and at averaged exchange rates on transaction date as to revenues and expenses. The resultant differences have been shown under the caption of "Exchange difference on translating financial statement" in shareholders' equity.

3. BASIS FOR THE PREPARATION OF INTERIM FINANCIAL STATEMENTS

3.1 Basis for the preparation of interim financial statements

These interim financial statements are prepared in accordance with Thai Accounting Standard No. 34 "Interim Financial Reporting", and the requirements of the Securities and Exchange Commission (SEC). The interim financial statements are intended to provide information additional to that included in the latest annual financial statements. Accordingly, they focus on new activities, events, and situations and not intended to re-emphasis on the information

previously reported. The interim financial statements should therefore, be read in conjunction with the financial statements for the year ended July 31, 2022.

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

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

3.2 Financial reporting standards that became effective in the current period

During the period, the Company and its subsidiaries have adopted the revised financial reporting standards and interpretations which are effective for fiscal years beginning on or after January 1, 2022. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards.

The adoption of these financial reporting standards does not have any significant impact on the financial statements in the current period.

3.3 Revised Financial Reporting Standards that will become effective for the financial statements with the accounting period beginning on or after January 1, 2023

The Federation of Accounting Professions has announced to apply several revised financial reporting standards in the Royal Gazette. This will become effective for the financial statements with the accounting period beginning on or after January 1, 2023. This revision is for the financial reporting standards to be clearer and more appropriate and to conform with international financial reporting standards. Such revision does not affect the principles of the standards and does not affect the users of the financial reporting standards adopted before 2023.

The management of the Company and its subsidiaries believe that this revision of the standards will not significantly affect the financial statements.

3.4 New Financial Reporting Standards

The Federation of Accounting Professions has announced to apply the Financial Reporting Standard No.17 on "Insurance Contract" in the Royal Gazette. This standard requires to comply with the defined criteria of the international reporting standards including various related improvements. The effective date is to apply on the financial statements for the accounting period beginning on or after January 1, 2025.

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in preparing the interim financial statements are the same accounting policies used in the preparation of the annual financial statements for the year ended July 31, 2022.

5. RELATED PARTY TRANSACTIONS

Related parties are as follows :-

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

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During the periods the Company and its subsidiaries had significant business transactions with the company group and 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 : Thousand Baht)

	For the three-month periods ended October 31,				Pricing Policies
	Consolidated		Separate		
	financial statements		financial statements		
	2022	2021	2022	2021	
<u>Transactions with subsidiaries</u>					
Management income	-	-	2,882	2,628	Cost plus margin
Electricity income	-	-	28	24	Cost plus margin
Dividend income	-	-	-	98,820	By the amount declared
Purchases of finished goods	-	-	420	1,278	Cost plus margin
<u>Transactions with related companies</u>					
Electricity expenses	88	80	-	-	Cost plus margin
Finance cost	15	19	1	1	Based on contract

The balances of the accounts as at October 31, 2022 and as July 31, 2022 between the Company and those related companies are as follows:

(Unit :Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	As at October 31, 2022	As at July 31, 2022	As at October 31, 2022	As at July 31, 2022
Trade and other current receivables				
Subsidiary companies				
Mark Worldwide Co., Ltd.	-	-	3,105	3,062
	-	-	3,105	3,062

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Trade and other current payables

Subsidiary companies

Mark Worldwide Co., Ltd.	-	-	449	1,967
	-	-	449	1,967

Related companies

Siam C.T.P. Industry Co., Ltd.	65	27	-	-
	65	27	-	-
	65	27	449	1,967

Lease liabilities

Related companies

WKP Asset Plus Co., Ltd.	1,386	1,505	90	98
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Management benefit expenses

Management benefit expenses represent the benefits paid to the Company's management such as salaries and related benefit including the benefit paid by other means. The Company's management is the persons who are defined under the Securities and Exchange Act.

Management benefit expenses for the three-month periods ended October 31, 2022 and 2021 are as follows:

(Unit: Thousand Baht)

	For the three-month periods ended October 31,			
	Consolidated Financial Statements		Separate Financial Statements	
	2022	2021	2022	2021
Management				
Management benefit expenses				
Short-term employee benefits	556	497	388	389
Post-employment benefits	9	9	6	6
Total	565	506	394	395

6. TRADE AND OTHER CURRENT RECEIVABLE

This account consisted of:

(Unit : Thousand Baht)

Consolidated financial statements		Separate financial statements	
As at October	As at July	As at October	As at July

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	31, 2022	31, 2022	31, 2022	31, 2022
Trade account receivable				
Account receivable	18,432	8,947	3,105	3,062
Note receivable	-	248	-	248
(Deduct) Expected credit loss	-	-	-	-
Total	18,432	9,195	3,105	3,310
Other receivables				
Input tax refundable	272	90	-	-
Input tax not yet due	28	28	1	4
Advance payment	22	9	-	-
Prepaid expenses	202	190	-	-
Withholding taxes within 1 year	325	265	29	29
Accrued interest	321	824	321	824
Total	1,170	1,406	351	857
Total Accounts receivable and other receivables	19,602	10,601	3,456	4,167

The outstanding balances of trade accounts receivable as at October 31, 2022 and as at July 31, 2022 as classified by due dates, are as follows:

(Unit : Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	As at October 31, 2022	As at July 31, 2022	As at October 31, 2022	As at July 31, 2022
Age of receivables				
Undue	18,217	8,829	3,096	3,301
Less than 3 months overdue	215	366	9	9
Over 3 months to 6 months	-	-	-	-
Over 6 months to 12 months	-	-	-	-
Over 12 months	-	-	-	-
Total	18,432	9,195	3,105	3,310

7. INVENTORIES

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This account consisted of:

(Unit : Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	As at October 31, 2022	As at July 31, 2022	As at October 31, 2022	As at July 31, 2022
Raw materials	4,567	2,070	-	-
Goods in transit	-	1,410	-	-
Total	4,567	3,480	-	-

8. OTHER CURRENT FINANCIAL ASSETS

This account consisted of:

(Unit : Thousand Baht)

As at October 31, 2022

	Consolidated financial statements			Separate financial statements		
	Amortized cost	FVPL	Total	Amortized cost	FVPL	Total
Investments in fixed deposits	285	-	285	-	-	-
Investment in mutual funds	-	60,416	60,416	-	40,218	40,218
Investment in structure notes	150,000	-	150,000	150,000	-	150,000
Total	150,285	60,416	210,701	150,000	40,218	190,218

(Unit : Thousand Baht)

As at July 31, 2022

	Consolidated financial statements			Separate financial statements		
	Amortized cost	FVPL	Total	Amortized cost	FVPL	Total
Investments in fixed deposits	20,285	-	20,285	20,000	-	20,000
Investment in mutual funds	-	35,305	35,305	-	15,145	15,145
Investment in structure notes	150,102	-	150,102	150,102	-	150,102
Total	170,387	35,305	205,692	170,102	15,145	185,247

As at October 31, 2022 and as at July 31, 2022 fixed deposits have interest rate of 0.30% per annum and 0.15% - 0.55% per annum, respectively. Investments in mutual funds are measured at fair value and are classified as level 2 of the fair value measurement (See Note 20.2).

As at October 31, 2022 investment in debt security is an investment in three non-transferrable short-term structured notes with interest rate of 0.90% - 1.20% per annum, the maturity dates are on November 3, 2022, March 27, 2023 and April 7, 2023 respectively.

As at July 31, 2022 investment in debt security is an investment in debentures with an interest rate of 3.56% per annum, the maturity date is on September 20, 2022 and two non-transferable short-term structured notes with interest rate of 0.75% and 0.90% per annum, the maturity date is on October 7, 2022 and November 3, 2022 respectively.

9. INVESTMENTS IN SUBSIDIARIES

As at October 31, 2022 and as at July 31, 2022 investments in subsidiaries accounted for under cost method represent investments in ordinary shares in the following subsidiaries.

Company's name	Paid-up share capital		At equity method		At cost method		(Unit: Thousand Baht) Dividend income	
	As at October	As at July	As at October	As at July	As at October	As at July	For the three-month	
	31, 2022	31, 2022	31, 2022	31, 2022	31, 2022	31, 2022	period ended October 31,	
							2022	2021
<u>Direct subsidiaries held by the Company</u>								
Siam ISO Pro Co., Ltd. and subsidiary	299,800	299,800	561,848	557,587	299,800	299,800	-	-
Mark Worldwide Co., Ltd.	295,000	295,000	338,581	344,451	295,000	295,000	-	-
City Steel Products Co., Ltd. (Registered for dissolution on October 28, 2021)	-	-	-	-	-	-	-	98,820
			900,429	902,038	594,800	594,800	-	98,820
(Less) Difference from business restructuring								
- Mark Worldwide Co., Ltd.			(15,380)	(15,380)	(15,380)	(15,380)	-	-
Total investments in subsidiaries			885,049	886,658	579,420	579,420	-	98,820

10. INVESTMENT PROPERTY

11. PROPERTY, PLANT AND EQUIPMENT

Movements of the property, plant and equipment account for the three-month period ended October 31, 2022 are summarized as follows:

	(Unit : Thousand Baht)	
	Consolidated	Separate
	<u>financial statements</u>	<u>financial statements</u>
At cost		
Balance as at July 31, 2022	893,487	38,914
Acquisitions during the period	1,542	-
Disposals and write-off during the period	(1,889)	-
Balance as at October 31, 2022	<u>893,140</u>	<u>38,914</u>
Accumulated depreciation		
Balance as at July 31, 2022	712,572	37,869
Depreciation for the period	4,518	50
Accumulated depreciation on disposals and write-off	(1,789)	-
Balance as at October 31, 2022	<u>715,301</u>	<u>37,919</u>
Net book value		
Balance as at July 31, 2022	<u>180,915</u>	<u>1,045</u>
Balance as at October 31, 2022	<u>177,839</u>	<u>995</u>

A subsidiary has mortgaged land and construction with a total net book value as at October 31, 2022, of Baht 95.12 million (As at July 31, 2022 : Baht 99.37 million) to secure credit facilities from financial institution. (See Note 19.1)

As at October 31, 2022 and as at July 31, 2022, 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 406.78 million and Baht 408.67 million, respectively (the Company : Baht 34.89 million and Baht 34.89 million, respectively).

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12. RIGHT-OF-USE ASSETS

Movements of the right-of-use assets account during the three-month period ended October 31, 2022 are summarized as follows:

	(Unit : Thousand Baht)	
	Consolidated financial statements	Separate financial statements
At cost		
Balance as at July 31, 2022	2,034	184
Acquisitions during the period	-	-
Balance as at October 31, 2022	2,034	184
Accumulated depreciation		
Balance as at July 31, 2022	562	92
Depreciation for the period	123	8
Balance as at October 31, 2022	685	100
Net book value		
Balance as at July 31, 2022	1,472	92
Balance as at October 31, 2022	1,349	84

13. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Changes in deferred tax assets and deferred tax liabilities for the three-month periods ended October 31, 2022 are summarized as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements			
Balance as at Jul 31, 2022	Revenue (expenses) during the year In profit or loss	In other comprehensive income	Balance as at Oct 31, 2022	
Deferred tax assets:				
Right-of-use assets	7	1	-	8

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Provisions for employee benefits	1,677	29	(47)	1,659
Tax losses brought forward	1,798	(810)	-	988
Total	<u>3,482</u>	<u>(780)</u>	<u>(47)</u>	<u>2,655</u>

(Unit: Thousand Baht)

	Separate financial statements			Balance as at Oct 31, 2022
	Balance as at Jul 31, 2022	Revenue (expenses) during the year		
		In profit or loss	In other comprehensive income	
Deferred tax assets:				
Right-of-use assets	1	-	-	1
Provisions for employee benefits	682	13	(43)	652
Total	<u>683</u>	<u>13</u>	<u>(43)</u>	<u>653</u>

14. LEASE LIABILITIES

Movements of the lease liabilities for the three-month period ended October 31, 2022 are summarized as follows:

(Unit : Thousand Baht)

	Consolidated financial statements	Separate financial statements
Balance as at July 31, 2022	1,505	98
Increase from interest	14	1
Payment	(133)	(9)
Balance as at October 31, 2022	<u>1,386</u>	<u>90</u>
<u>Less</u> Current portion within one year	<u>(487)</u>	<u>(32)</u>
Lease liabilities - net of current portion within 1 year	<u>899</u>	<u>58</u>

The Company and its subsidiaries had total cash outflows for leases for three-month period ended October 31, 2022 at the amount of Baht 0.12 million (the Company: Baht 0.008 million).

The following are the amounts recognized in profit or loss for the three-month period ended October 31, 2022 and 2021 as follow:

(Unit : Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2022	2021	2022	2021
Depreciation of right-of-use assets	123	123	8	8
Interest expense on lease liabilities	14	19	1	1
Total	137	142	9	9

15. NON-CURRENT PROVISIONS FOR EMPLOYEE BENEFIT

Statement of financial position

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	As at October 31, 2022 (for the three-month period)	As at July 31, 2022 (for the year)	As at October 31, 2022 (for the three-month period)	As at July 31, 2022 (for the year)
Employee benefit obligation, beginning of the period	8,386	7,898	3,409	3,175
Current service costs and interest				
Current service costs	92	375	45	184
Finance cost	55	113	23	50
(Gain) on re-measurements of defined benefit plans	(236)	-	(216)	-
Employee benefit obligation, ending of the period	8,297	8,386	3,261	3,409

Expenses recognized in the statements of comprehensive income

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For the three-month periods ended October 31, 2022 and 2021

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2022	2021	2022	2021
Cost of sales and services	35	35	-	-
Administrative expenses	48	50	39	40
Management benefit expenses	9	9	6	6
Finance cost	55	29	23	13
	<u>147</u>	<u>123</u>	<u>68</u>	<u>59</u>

(Gain) losses on re-measurements of defined benefit plans

For the three-month periods ended October 31, 2022 and 2021

(Unit : Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2022	2021	2022	2021
(Gain) loss arising from				
Change in discount rate assumption	(1,224)	-	(627)	-
Change in salary increase rate assumption	482	-	305	-
Change in employee turnover rate assumption	-	-	-	-
Experience adjustment	506	-	106	-
Total	<u>(236)</u>	<u>-</u>	<u>(216)</u>	<u>-</u>

Primary assumptions for estimation according to actuarial principles

For the three-month periods ended October 31, 2022 and 2021

	Percentage	
	Consolidated financial statements/ Separate financial statements	
	2022	2021
Discount rate	2.91	1.55

Salary increase rate	1.5 - 2.5	1 - 1.6
Employee turnover rate	2	2
Mortality rate	105 of Thai Mortality Table 2017	105 of Thai Mortality Table 2017

16. TAX EXPENSE (INCOME)

Major components of tax expense (income) for the three-month periods ended October 31, 2022 and 2021 consisted of:

	Consolidated financial statements		Separate financial statements	
	2022	2021	2022	2021
(Unit: Thousand Baht)				
Income tax expense (income) shown in profit or loss:				
Current tax expense (income) :				
Income tax expense for the periods	183	20	183	20
Deferred tax expense (income) :				
Changes in temporary differences relating to the original recognition and reversal	780	393	(13)	(12)
Total	963	413	170	8
Income tax relating to components of other comprehensive income:				
Deferred tax relating to:				
Re-measurements of defined benefit plans	47	-	43	-
Total	47	-	43	-

17. FINANCIAL INFORMATION BY SEGMENT

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

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

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

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

18. CAPITAL MANAGEMENT

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

According to the consolidated and separate statement of financial position as at October 31, 2022 and as at July 31, 2022, the Company and its subsidiaries debt-to-equity ratio was 0.012 : 1 and 0.012 : 1, and the Company's debt-to-equity ratio was 0.004 : 1 and 0.005 : 1 respectively.

19. COMMITMENTS AND CONTINGENT LIABILITIES

19.1 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, 2022 : Baht 290 million). These loans are guaranteed by two subsidiaries and the subsidiary's land and construction thereon.

19.2 Others

The Company had outstanding commitment in respect of uncalled portion of investments in its subsidiaries approximately Baht 70.20 million.

20. FINANCIAL INSTRUMENTS

20.1 Foreign currency

As at October 31, 2022 and as at July 31, 2022 the Company and its subsidiaries had outstanding assets in foreign currencies as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	As at October	As at July	As at October	As at July
	31, 2022	31, 2022	31, 2022	31, 2022
Deposits at bank-US Dollars				
Carrying amount on statement of				
financial position	43,569	50,324	-	-
Total	43,569	50,324	-	-

20.2 Fair values of financial instruments

As at October 31, 2022, the Company and its subsidiaries had the assets that were measured and disclosed at fair value using different levels of inputs as follows:

(Unit: Thousand Baht)

	Consolidated Financial Statements			
	Fair value			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Investment in mutual fund	-	60,416	-	60,416
Assets disclosed at fair value				
Investment property	-	-	148,954	148,954
Total	-	60,416	148,954	209,370

(Unit: Thousand Baht)

	Separate Financial Statements			
	Fair value			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Investment in mutual fund	-	40,218	-	40,218

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Total	-	40,218	-	40,218
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As at July 31, 2022, the Company and its subsidiaries had the assets that were measured and disclosed at fair value using different levels of inputs as follows:

(Unit: Thousand Baht)

	Consolidated Financial Statements			
	Fair value			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Investment in mutual fund	-	35,305	-	35,305
Assets disclosed at fair value				
Investment property	-	-	148,954	148,954
Total	-	35,305	148,954	184,259

(Unit: Thousand Baht)

	Separate Financial Statements			
	Fair value			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Investment in mutual fund	-	15,145	-	15,145
Total	-	15,145	-	15,145

The fair value of investments in non-listed investment units on the Stock Exchange of Thailand is calculated by using the net assets value per unit as announced by the fund managers.

During the current period, there were no transfers within the fair value hierarchy.

21. APPROVAL OF INTERIM FINANCIAL STATEMENTS

These interim financial statements were authorized for issue by the Company's Board of Directors on December 10, 2022.