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## **Independent Auditor's Report**

To the Board of Directors and Shareholders of **Chow Steel Industries Public Company Limited**

### **Opinion**

I have audited the accompanying consolidated financial statements of **Chow Steel Industries Public Company Limited and its subsidiaries** (the Group), which comprise the consolidated statement of financial position as at 31 December 2016, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and I have audited the separate financial statements of **Chow Steel Industries Public Company Limited** for the same period.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Chow Steel Industries Public Company Limited and its subsidiaries** and of **Chow Steel Industries Public Company Limited** as at 31 December 2016, their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

### **Basis for Opinion**

I conducted my audit in accordance with Thai Standards on Auditing. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Group in accordance with the Code of Ethics for Professional Accountants as issued by the Federation of Accounting Professions under the Royal Patronage of His Majesty the King as relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Key audit matters and how audit procedures respond for each matter are described below.

#### **Allowance for doubtful accounts**

I gave a particular attention to the audit of the sufficient of allowance for doubtful accounts because the outstanding balance of trade receivables are significant to the financial statements. As at 31 December 2016, the Group's trade receivables are approximately Baht 968.68 million or accounted for 7.32% of total assets as stated in Note to the financial statements No. 8. In addition, the management has to highly involve judgment in estimating of net realizable value of trade receivables as described in Note to the financial statements No. 4.20. The management requires to exercise judgment in the assessing of the ability of each receivables to repay the debt which mainly focus on receivables aged over than 6 months according to the accounting policy relevant to the recognition of allowance for doubtful accounts. This policy is based on historical experience of receiving payment, the latest settlements, the prospect of a debt default that may occur including the request an opinion from legal counsel about the possibility in winning a lawsuit and other relevant situations.

I evaluated the appropriateness of the method used by management in estimating the net realizable value of trade receivables. I considered and examined their ability to pay debts in the future which were based on the financial status and repayment after the date of the financial statements, including the verification of the history of the debt payments in the past to the present. I also inquired the Group legal counsel the possibility to win a lawsuit.

#### **The impairment of property, plant and equipments**

I gave particular attention to such matter because the situation in the steel industry nowadays might have significant impact to the performance of the Company and may result in the carrying amount of the asset exceeds the expected recoverable amount. The management requires to exercise judgment in the determination of the recoverable amounts of the assets by comparing the higher of value in use and/ or fair value less cost to sell. The estimation of value in use has been determined based on the estimate of future cash flows, discounted to their present value. This requires management's judgment in determining the assumptions regarding the ability of future profitability, the revenues growth, profit margin, forecasted future cash flows and the selection of an appropriate discount rate. In addition, the outstanding balances of property, plant and equipment are relatively significant to the consolidated and separate financial statements as disclosed in Note 15 to the financial statements and therefore is important in my audit.

I evaluated the reasonableness of the assessment on the indication that the item of property, plant and equipment may be impaired and the key assumptions which supported the management's forecast with referenced to the current market situation, operating environment, industry knowledge and other information obtained during the audit. In addition, I verified the significant assumptions used in the estimated future discounted cash flows of management by considering the results of the past operation, analysis of historical trends, and tested the calculation of the discounted cash flow calculations compared to the carrying value of the asset at the end of the year.

## **Other Information**

Management is responsible for the other information. The other information comprise the information included in annual report of the Group, but does not include the financial statements and my auditor's report thereon. The annual report of the Group is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the annual report of the Group, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance for correction of the misstatement.

## **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Thai Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Thai Standards on Auditing, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PRADIT RODLOYTUK  
Certified Public Accountant  
Registration No. 218

Ast Master Co., Ltd.  
24 February 2017

CHOW STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

EXPRESSED IN THAI BAHT

**CHOW STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

**STATEMENT OF FINANCIAL POSITION**

**AS AT 31 DECEMBER 2016**

	Notes	In Baht			
		Consolidated		Separate	
		financial statements		financial statements	
		31 DECEMBER 2016	31 DECEMBER 2015	31 DECEMBER 2016	31 DECEMBER 2015
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	7	711,205,019	102,116,011	265,881,281	25,735,195
Trade accounts receivable and other receivables	8	1,426,335,793	1,124,790,404	723,405,525	748,172,809
Short-term loan to subsidiaries	5.2	-	-	3,241,131,021	1,826,779,332
Inventories	9	785,558,200	958,401,905	543,201,133	913,354,704
Project costs under development	10	1,086,590,933	607,396,601	-	-
Account receivable - Revenue Department		197,381,712	94,601,864	2,995,848	20,846,544
Restricted deposits at financial institutions	11	96,995,272	67,886,102	-	-
Other current assets		27,657,288	3,751,966	2,592,471	182,665
<b>Total current assets</b>		<b>4,331,724,217</b>	<b>2,958,944,853</b>	<b>4,779,207,279</b>	<b>3,535,071,249</b>
<b>NON-CURRENT ASSETS</b>					
Deposits pledged as collateral	12	2,906,201,428	1,129,075,761	172,998,766	343,556,878
Investment in subsidiaries	13	-	-	447,285,391	185,938,031
Investment in joint ventures	14	215,885,351	217,092,272	-	-
Property, plant and equipment	15	5,187,096,346	3,477,061,065	1,037,545,164	1,145,876,690
Intangible assets	16	518,833,999	242,667,956	1	1
Deferred tax assets	28	6,837,100	5,792,223	-	-
Other non-current assets	17	65,769,024	61,723,640	6,465,128	2,159,103
<b>Total non-current assets</b>		<b>8,900,623,248</b>	<b>5,133,412,917</b>	<b>1,664,294,450</b>	<b>1,677,530,703</b>
<b>TOTAL ASSETS</b>		<b>13,232,347,465</b>	<b>8,092,357,770</b>	<b>6,443,501,729</b>	<b>5,212,601,952</b>

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

\_\_\_\_\_  
Director  
(Mr. Anavin Jiratomsiri)

\_\_\_\_\_  
Director  
(Ms. Sharuta Jiratomsiri)

**CHOW STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

**STATEMENT OF FINANCIAL POSITION (CONTINUED)**

**AS AT 31 DECEMBER 2016**

		In Baht				
		Consolidated		Separate		
		financial statements		financial statements		
		31 DECEMBER 2016	31 December 2015	31 DECEMBER 2016	31 December 2015	
Notes		2016	2015	2016	2015	
<b><u>LIABILITIES AND SHAREHOLDERS' EQUITY</u></b>						
<b>CURRENT LIABILITIES</b>						
	Bank overdrafts and short-term loans from financial institutions	18	5,593,786,767	3,771,464,638	3,233,963,331	2,371,479,045
	Trade accounts payable and other payables	19	412,293,537	323,707,174	87,958,732	19,553,262
	Current portion of long-term loan	20	819,270,595	657,009,200	611,922,379	621,186,630
	Long-term loan - classified as current liability	20	62,703,612	211,660,670	62,703,612	211,660,670
	Current portion of liabilities under					
	finance lease agreements	21	3,584,397	38,358	-	-
	Short-term loan from related person and related parties	5.2	-	4,000,000	-	-
	Accrued income tax		10,943,647	40,247,218	-	-
	Other current liabilities		32,200,494	15,851,889	2,675,633	2,553,843
	<b>Total current liabilities</b>		<b>6,934,783,049</b>	<b>5,023,979,147</b>	<b>3,999,223,687</b>	<b>3,226,433,450</b>
<b>NON-CURRENT LIABILITIES</b>						
	Long-term loans from financial Institutions	20	4,919,520,149	1,737,979,702	1,124,274,783	698,866,666
	Liabilities under finance lease agreements	21	6,181,705	60,377	-	-
	Deferred tax liabilities	28	13,657,831	13,657,831	13,657,831	13,657,831
	Other liabilities		850,000	-	-	-
	Employee benefit obligations	22	5,228,084	4,349,223	4,601,827	3,437,161
	<b>Total non-current liabilities</b>		<b>4,945,437,769</b>	<b>1,756,047,133</b>	<b>1,142,534,441</b>	<b>715,961,658</b>
	<b>Total liabilities</b>		<b>11,880,220,818</b>	<b>6,780,026,280</b>	<b>5,141,758,128</b>	<b>3,942,395,108</b>

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

\_\_\_\_\_  
Director  
(Mr. Anavin Jiratomsiri)

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Director  
(Ms. Sharuta Jiratomsiri)

**CHOW STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

**STATEMENT OF FINANCIAL POSITION (CONTINUED)**

**AS AT 31 DECEMBER 2016**

	Notes	In Baht			
		Consolidated		Separate	
		financial statements		financial statements	
		31 DECEMBER 2016	31 DECEMBER 2015	31 DECEMBER 2016	31 DECEMBER 2015
<b>LIABILITIES AND</b>					
<b>SHAREHOLDERS' EQUITY (CONTINUED)</b>					
<b>SHAREHOLDERS' EQUITY</b>					
Share capital - Common shares, Baht 1 par value	23				
Authorized share capital					
800,000,000 common shares		800,000,000	800,000,000	800,000,000	800,000,000
Issued and paid-up share capital					
800,000,000 common shares		800,000,000	800,000,000	800,000,000	800,000,000
Premium on share capital		380,845,258	380,845,258	380,845,258	380,845,258
Difference from change in investment in subsidiaries		(5,517,485)	(38,585,104)	-	-
Retained earnings					
Appropriated for legal reserve	24	15,400,000	13,788,260	15,400,000	13,788,260
Unappropriated		32,761,700	940,087	50,867,017	20,942,000
Other components of shareholder's equity		52,518,669	50,726,258	54,631,326	54,631,326
Total equity attributable to the parent company		1,276,008,142	1,207,714,759	1,301,743,601	1,270,206,844
Non - controlling interests	25	76,118,505	104,616,731	-	-
<b>Total Shareholders' equity</b>		<b>1,352,126,647</b>	<b>1,312,331,490</b>	<b>1,301,743,601</b>	<b>1,270,206,844</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>13,232,347,465</b>	<b>8,092,357,770</b>	<b>6,443,501,729</b>	<b>5,212,601,952</b>

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

\_\_\_\_\_  
Director  
(Mr. Anavin Jiratomsiri)

\_\_\_\_\_  
Director  
(Ms. Sharuta Jiratomsiri)

**CHOW STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

	Notes	In Baht			
		Consolidated		Separate	
		financial statements		financial statements	
		2016	2015	2016	2015
<b>Revenues</b>					
Revenues from sales and services		2,619,838,290	2,171,453,445	1,468,719,162	1,208,486,442
Other income	26	121,485,926	152,550,631	254,525,004	280,643,879
Gain on foreign exchange rate		-	45,081,917	74,869,709	23,539,642
Total revenues		<u>2,741,324,216</u>	<u>2,369,085,993</u>	<u>1,798,113,875</u>	<u>1,512,669,963</u>
<b>Expenses</b>					
Cost of sales and services		2,245,838,724	2,026,932,498	1,408,934,310	1,281,999,949
Selling expenses		30,379,285	28,021,807	30,379,285	22,998,816
Administrative expenses		266,914,428	243,064,865	89,824,065	103,389,893
Loss on foreign exchange rate		12,041,813	-	-	-
Total expenses		<u>2,555,174,250</u>	<u>2,298,019,170</u>	<u>1,529,137,660</u>	<u>1,408,388,658</u>
<b>Profit before share of gain (loss) from investment in joint venture financial costs and income tax expense</b>					
		186,149,966	71,066,823	268,976,215	104,281,305
Share of gain (loss) from investment in joint venture	14	<u>(1,206,921)</u>	<u>4,651,852</u>	-	-
<b>Profit before financial costs and income tax expense</b>					
		184,943,045	75,718,675	268,976,215	104,281,305
Financial costs		<u>(113,132,098)</u>	<u>(149,531,247)</u>	<u>(237,439,458)</u>	<u>(185,829,973)</u>
<b>Profit (Loss) before income tax expense</b>					
		71,810,947	(73,812,572)	31,536,757	(81,548,668)
Income tax expense	28	<u>(35,096,176)</u>	<u>(35,395,181)</u>	-	-
<b>Profit (loss) for the year</b>					
		<u>36,714,771</u>	<u>(109,207,753)</u>	<u>31,536,757</u>	<u>(81,548,668)</u>
<b>Other comprehensive income</b>					
<b>Transaction are record in gain and loss later</b>					
Exchange differences on translating financial statements		2,181,772	1,340,535	-	-
<b>Transaction are not record in gain and loss later</b>					
Defined benefit plan actuarial gains	22	1,123,268	4,567,701	-	3,383,373
Less Income tax		(224,654)	(23,809)	-	-
Revaluation surplus on land	15	-	20,900,000	-	20,900,000
Less Income tax		-	(4,180,000)	-	(4,180,000)
<b>Total other comprehensive income (expense) for the year</b>					
		<u>3,080,386</u>	<u>22,604,427</u>	<u>-</u>	<u>20,103,373</u>
<b>Total comprehensive income for the year</b>					
		<u>39,795,157</u>	<u>(86,603,326)</u>	<u>31,536,757</u>	<u>(61,445,295)</u>
<b>Profit (Loss) attributable to:</b>					
Equity holders of the parent		32,534,739	(110,419,251)	31,536,757	(81,548,668)
Non-controlling interests		4,180,032	1,211,498	-	-
		<u>36,714,771</u>	<u>(109,207,753)</u>	<u>31,536,757</u>	<u>(81,548,668)</u>
<b>Total comprehensive income (loss) attributable to:</b>					
Equity holders of the parent		35,225,764	(88,224,732)	31,536,757	(61,445,295)
Non-controlling interests		4,569,393	1,621,406	-	-
		<u>39,795,157</u>	<u>(86,603,326)</u>	<u>31,536,757</u>	<u>(61,445,295)</u>
<b>Basic earnings per share</b>					
Profit (Loss) attributable to equity holders of the parent		0.04	(0.14)	0.04	(0.10)
Weighted average number of common shares (shares)		<u>800,000,000</u>	<u>800,000,000</u>	<u>800,000,000</u>	<u>800,000,000</u>

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

\_\_\_\_\_  
Director  
(Mr. Anavin Jiratomsiri)

\_\_\_\_\_  
Director  
(Ms. Sharuta Jiratomsiri)

**CHOW STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

Notes	Issued and paid-up share capital	Premium on share capital	Difference from change in investment in subsidiaries	Retained earnings		Other components of equity			Total equity of the parent	Non-controlling interests	Total
				Appropriated for legal reserve	Unappropriated	Revaluation surplus on land - net of tax	Exchange differences on translating financial statements	Total other components of shareholders' equity			
<b>Balance as at 1 January 2015</b>	800,000,000	380,845,258	(38,585,104)	13,788,260	107,225,354	37,911,325	(5,245,602)	32,665,723	1,295,939,491	82,667,555	1,378,607,046
Addition investment in subsidiaries											
by non-controlling interests	25	-	-	-	-	-	-	-	-	20,327,770	20,327,770
Profit (Loss) for the year		-	-	-	(110,419,251)	-	-	-	(110,419,251)	1,211,498	(109,207,753)
Other comprehensive income for the year		-	-	-	4,133,984	16,720,000	1,340,535	18,060,535	22,194,519	409,908	22,604,427
Total comprehensive income for the year		-	-	-	(106,285,267)	16,720,000	1,340,535	18,060,535	(88,224,732)	1,621,406	(86,603,326)
<b>Balance as at 31 December 2015</b>	<b>800,000,000</b>	<b>380,845,258</b>	<b>(38,585,104)</b>	<b>13,788,260</b>	<b>940,087</b>	<b>54,631,325</b>	<b>(3,905,067)</b>	<b>50,726,258</b>	<b>1,207,714,759</b>	<b>104,616,731</b>	<b>1,312,331,490</b>
<b>Balance as at 1 January 2016</b>	800,000,000	380,845,258	(38,585,104)	13,788,260	940,087	54,631,325	(3,905,067)	50,726,258	1,207,714,759	104,616,731	1,312,331,490
Appropriated for legal reserve	24	-	-	1,611,740	(1,611,740)	-	-	-	-	-	-
Decrease in non - controlling interests											
from additional interest in subsidiary	25	-	-	33,067,619	-	-	-	-	33,067,619	(33,067,619)	-
Profit for the year		-	-	-	32,534,739	-	-	-	32,534,739	4,180,032	36,714,771
Other comprehensive income for the year		-	-	-	898,614	-	1,792,411	1,792,411	2,691,025	389,361	3,080,386
Total comprehensive income for the year		-	-	-	33,433,353	-	1,792,411	1,792,411	35,225,764	4,569,393	39,795,157
<b>Balance as at 31 December 2016</b>	<b>800,000,000</b>	<b>380,845,258</b>	<b>(5,517,485)</b>	<b>15,400,000</b>	<b>32,761,700</b>	<b>54,631,325</b>	<b>(2,112,656)</b>	<b>52,518,669</b>	<b>1,276,008,142</b>	<b>76,118,505</b>	<b>1,352,126,647</b>

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

\_\_\_\_\_  
 Director  
 (Mr.Anavin Jiratomsiri)

\_\_\_\_\_  
 Director  
 (Ms. Sharuta Jiratomsiri)

**CHOW STEEL INDUSTRIES PUBLIC COMPANY LIMITED**  
**SEPARATE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

In Baht							
Notes	Issued and paid-up share capital	Premium on share capital	Retained earnings		Revaluation surplus on land - net of tax	Total other components of shareholders' equity	Total
			Appropriated for legal reserve	Unappropriated			
<b>Balance as at 1 January 2015</b>	800,000,000	380,845,258	13,788,260	99,107,295	37,911,326	37,911,326	1,331,652,139
Loss for the year	-	-	-	(81,548,668)	-	-	(81,548,668)
Other comprehensive income for the year	-	-	-	3,383,373	16,720,000	16,720,000	20,103,373
Total comprehensive income for the year	-	-	-	(78,165,295)	16,720,000	16,720,000	(61,445,295)
<b>Balance as at 31 December 2015</b>	<u>800,000,000</u>	<u>380,845,258</u>	<u>13,788,260</u>	<u>20,942,000</u>	<u>54,631,326</u>	<u>54,631,326</u>	<u>1,270,206,844</u>
<b>Balance as at 1 January 2016</b>	800,000,000	380,845,258	13,788,260	20,942,000	54,631,326	54,631,326	1,270,206,844
Appropriated for legal reserve	-	-	1,611,740	(1,611,740)	-	-	-
Appropriated for legal reserve	-	-	1,611,740	(1,611,740)	-	-	-
Profit for the year	-	-	-	31,536,757	-	-	31,536,757
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	31,536,757	-	-	31,536,757
<b>Balance as at 31 December 2016</b>	<u>800,000,000</u>	<u>380,845,258</u>	<u>15,400,000</u>	<u>50,867,017</u>	<u>54,631,326</u>	<u>54,631,326</u>	<u>1,301,743,601</u>

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

\_\_\_\_\_  
Director  
(Mr. Anavin Jiratomsiri)

\_\_\_\_\_  
Director  
(Ms. Sharuta Jiratomsiri)

**CHOW STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

	In Baht			
	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2016	2015	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit (loss) before income tax	71,810,947	(73,812,572)	31,536,757	(81,548,668)
Adjustment to reconcile profit to net cash provided by (used in) operating activities				
Doubtful accounts	1,027,195	3,189,029	-	3,189,029
Loss on diminution in value of inventories (reversal)	(25,738,751)	25,285,003	(25,738,751)	25,285,003
Depreciation	164,380,577	146,061,083	109,166,013	110,072,902
Amortization	35,784,902	2,547,726	-	-
Loss (gain) on disposal of equipment	3,247	1,961,315	12,160	1,961,315
Unrealized (gain) loss on foreign exchange rate	(7,424,503)	(43,769,954)	288	17,915,036
Share of loss (gain) from investment in joint ventures	1,206,921	(4,651,852)	-	-
Loss on impairment asset	480,611	-	-	-
Allowance for diminution of assets	16,835,000	-	-	-
Employee benefit obligations	2,002,129	2,995,728	1,164,666	2,058,521
Interest expenses	91,708,580	133,479,906	217,114,650	169,778,631
Amortization of borrowing cost	21,423,518	9,614,304	20,324,808	8,633,341
Profit from operating activities before change in operating assets and liabilities	373,500,373	202,899,716	353,580,591	257,345,110
Decrease (increase) in operating assets				
Trade and other receivables	(235,432,798)	(292,466,830)	24,767,284	131,477,630
Inventories	198,582,456	174,773,845	395,892,322	219,674,732
Project costs under development	(786,361,306)	(367,672,585)	-	-
Account receivable - Revenue Department	(102,779,848)	(24,576,825)	17,850,696	21,444,599
Other current assets	(23,905,320)	605,228	(2,409,806)	2,867,568
Other non-current assets	(17,856,273)	25,700,880	(1,156,859)	(88,950)
Increase (decrease) in operating liabilities				
Trade and other payables	80,121,352	116,724,026	59,284,071	(166,615,053)
Other current liabilities	15,740,636	15,659,402	121,790	2,149,827
Employee benefit obligations	(1,123,268)	(84,000)	-	(84,000)
Cash received (paid) from operating activities	(499,513,996)	(148,437,143)	847,930,089	468,171,463
Interest paid	(220,911,931)	(181,768,366)	(207,993,540)	(167,629,813)
Income tax paid	(67,860,766)	(2,587,856)	(3,149,166)	(1,039,187)
Net cash provided by (used in) operating activities	(788,286,693)	(332,793,365)	636,787,383	299,502,463

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

\_\_\_\_\_  
 Director  
 (Mr. Anavin Jiratomsiri)

\_\_\_\_\_  
 Director  
 (Ms. Sharuta Jiratomsiri)

**CHOW STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**STATEMENT OF CASH FLOWS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2016	2015	2016	2015
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Cash paid for investment in subsidiaries	-	-	(261,347,360)	(66,788,031)
Cash paid for purchase investment from non-controlling interests	(60,983,270)	-	-	-
Cash paid for investment in joint venture	-	(212,050,000)	-	-
Increase in restricted deposits at financial institutions	(29,109,170)	(32,040,854)	-	-
Decrease(Increase) in deposits pledged as collateral	(1,785,432,545)	(974,239,017)	170,558,112	(199,556,878)
Increase in short-term loans to a subsidiary	-	-	(1,414,351,689)	(824,190,075)
Cash paid for acquisition of plant and equipment (cash flows information 1)	(1,735,934,623)	(1,521,263,939)	(863,366)	(20,578,982)
Cash paid for intangible assets	(6,718,742)	(111,952,223)	-	-
Proceed from disposal of equipment (cash flows information 2)	10,794,587	2,990,654	16,719	2,990,654
Net cash provided by used in investing activities	(3,607,383,763)	(2,848,555,379)	(1,505,987,584)	(1,108,123,312)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Increase (Decrease) in bank overdrafts and short-term loans from financial institutions	1,822,322,129	746,160,207	862,484,286	(652,208,537)
Decrease in non - controlling interests from additional interest in subsidiary	60,983,270	-	-	-
Cash received for long-term loans	4,568,887,607	3,171,385,773	1,009,320,000	2,129,624,800
Cash paid for long-term loans	(1,408,002,684)	(671,892,000)	(762,458,000)	(671,892,000)
Cash paid for liabilities under finance lease agreements	(8,843,633)	(17,055,212)	-	-
Decrease in short-term loans from related parties	(4,000,000)	(50,236,126)	-	-
Cash received from addition investment in subsidiaries by non-controlling interests	-	20,327,770	-	-
Net cash provided by financing activities	5,031,346,689	3,198,690,412	1,109,346,286	805,524,263
Exchange differences on translating financial statements	(26,587,225)	1,340,535	-	-
<b>Net increase(decrease) in cash and cash equivalents</b>	609,089,008	18,682,203	240,146,086	(3,096,586)
<b>Cash and cash equivalents, beginning of year</b>	102,116,011	83,433,808	25,735,195	28,831,781
<b>Cash and cash equivalents, end of year</b>	711,205,019	102,116,011	265,881,281	25,735,195

**SUPPLEMENT DISCLOSURE OF CASH FLOWS INFORMATION**

**1.Cash paid for acquisition of plant and equipment**

Acquisition of plant and equipment during the year	(1,901,534,748)	(1,559,682,230)	(863,366)	(40,656,492)
<u>Adjust</u> Increase in advance payment for machinery				
<u>Adjust</u> Decrease in accounts payable from acquisition of assets	-	(822,490)	-	(822,490)
Capitalized interest	87,891,117	18,340,781	-	-
Transfer out intangible assets	58,348,008	-	-	-
provision	850,000	-	-	-
Revaluation surplus on land	-	20,900,000	-	20,900,000
Liabilities under finance lease agreements	18,511,000	-	-	-
Cash paid for acquisition of plant and equipment	(1,735,934,623)	(1,521,263,939)	(863,366)	(20,578,982)

**2.Proceeds from disposal of equipment**

Disposal of equipment during the year	10,797,834	4,951,969	28,879	4,951,969
Gain on disposal of equipment	(3,247)	(1,961,315)	(12,160)	(1,961,315)
Proceeds from disposal of equipment	10,794,587	2,990,654	16,719	2,990,654

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

\_\_\_\_\_  
 (Mr. Anavin Jiratomsiri) Director

\_\_\_\_\_  
 (Ms. Sharuta Jiratomsiri) Director

**CHOW STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**1. GENERAL INFORMATION**

Chow Steel Industries Public Company Limited was incorporated in Thailand. The principal business operation of the Company is to produce and sell of steel billet. Its major shareholders are Jiratomsiri's Group (owned 66%). The address of its registered office is located at as follows:

- Head Office is located at 2525 FYI Center , Tower 2, 10th Floor, Unit 2/1006 - 2/1008, Rama 4 Road, Khlongtoei, Khlongtoei, Bangkok.
- Factory branch 1 is located at 518/1 Moo 9, Nongki District, Kabinburi, Prachinburi.
- Factory branch 2 is located at 518/3 Moo 9, Nongki District, Kabinburi, Prachinburi.

The Company was listed on the Stock Exchange of Thailand on 21 December 2011 and the Company's stocks were traded on the MAI (Market of Alternative Investment).

**2. BASIS FOR FINANCIAL STATEMENTS PREPARATION**

The consolidated and separate financial statement are prepared in accordance with Thai Financial Reporting Standards (TFRS); guidelines promulgated by the Federation of Accounting Professions ("FAB"); and applicable rules and regulation of the Thai Securities and Exchange Commission.

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

The consolidated and separate financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies;

The consolidated financial statements relate to Chow Steel Industries Public Company Limited and subsidiaries and associates (together referred to as the "the Group"). Details of the Company's subsidiaries and joint ventures company are as follows:

	Registered Country	Percentage of Holding (%)		Nature of Business
		2016	2015	
<b><u>Subsidiaries directly owned by the Company</u></b>				
Vertex Logistics Service Co., Ltd.	Thailand	40	40	Logistic service
Chow Energy Plc. ("CE")	Thailand	87.36	76.67	Holding company invests in Power Supply
<b><u>Subsidiaries indirectly owned by the Company</u></b>				
<b><u>Holding by CE</u></b>				
Chow International Co., Ltd. ("CI")	Thailand	100	100	Holding company
Premier Solution Co., Ltd. ("PSCL")	Thailand	100	100	Consulting to international investment
<b><u>Holding by PSCL</u></b>				
Premier Solution Japan K.K ("PSJP")	Japan	100	100	Construction of Power generation
Premier Solution GmbH. ("PSGM")	Germany	100	100	Project Insurance with regard to renewable energy project

**CHOW STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

	Registered Country	Percentage of Holding		Nature of Business
		2016	2015	
<b><u>Holding by PSJP</u></b>				
AE Solar Godo Kaisha (“AE”)	Japan	100	100	Power generation and distribution
Sun Energy Godo Kaisha (“SUN”)	Japan	100	100	Support solar project investment in Japan
Sol Power Godo Kaisha (“SOL”)	Japan	100	100	Support solar project investment in Japan
Sun Partner Japan Godo Kaisha (“Sun Partner”)	Japan	100	100	Support solar project investment in Japan
CC Hamada Solar Godo Kaisha	Japan	100	-	Support solar project investment in Japan
<b><u>Joint Ventures</u></b>				
<b><u>Holding by CI</u></b>				
RICI International Investment Pte., Ltd. (“RICI”)	Singapore	40	40	Investment in Power generation
<b><u>Holding by PSCL</u></b>				
Overseas Green Energy Co., Ltd. (“OGE”)	Thailand	40	40	Management in Power generation

The Group is currently in process of extension business by investing in renewable power, which may establish several companies in form of subsidiary, and/or associate and/or joint venture to perform feasibility studies and invest in renewable power business in the future. The Company or subsidiary will be one of investors of such established companies.

**Investment in subsidiaries during the year 2016 and 2015**

In November 2016, PSJP investment in CC Hamada solar Godo Kaisha (“CC Hamada”) of Baht 3,136 (Yen 10,000), represented 100% of the registered share capital.

In January 2015, PSJP investment in Good solar Godo Kaisha (“Good”) and Next Energy Godo Kaisha (“Next”) of Baht 3,144 (Yen 10,000), represented 100% of the registered share capital.

On 26 February 2015, PSCL disposed the investment in AE to PSJP at the cost to Baht 3,144 (Yen 10,000), represented 100% of the registered share capital. Resulting to PSJP is a shareholder of AE.

In June 2015, PSJP disposed the investment in Good solar Godo Kaisha (“Good”) and Next Energy Godo Kaisha (“Next”) of Baht 1.90 million, represented 100% of the registered share capital. The Company has gain from sale those investments of Baht 1.10 million, which included in “Other income” in the Statement of Comprehensive Income for the year ended as at 31 December 2015.

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

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

### **3. NEW FINANCIAL REPORTING STANDARDS**

Below is a summary of financial reporting standards that became effective in the current accounting year and those that will become effective in the future as follows:

#### **3.1 Financial reporting standards that became effective in the current year**

During the year, the Group have adopted the revised (revised 2015) and new financial reporting standards and accounting treatment guidance issued by the Federation of Accounting Professions which become effective for fiscal years beginning on or after 1 January 2016. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards. The adoption of these financial reporting standards does not have any significant impact on the Group financial statements.

#### **3.2 Financial reporting standard that will become effective in the future**

During the current year, the Federation of Accounting Professions issued a number of the revised financial reporting standards and interpretations (revised 2016) which is effective for fiscal years beginning on or after 1 January 2017. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards.

The management of the Company believe that the revised and new financial reporting standards and interpretations will not have any significant impact on the financial statements when they are initially applied. However, one standard involves changes to key principles, which are summarised below.

##### **TAS 27 (revised 2016) Separate Financial Statements**

This revised standard stipulates an additional option to account for investments in subsidiaries, joint ventures and associates in separate financial statements under the equity method, as described in TAS 28 (revised 2016) Investments in Associates and Joint Ventures. However, the entity is to apply the same accounting treatment for each category of investment. If an entity elects to account for such investments using the equity method in the separate financial statements, it has to adjust the transaction retrospectively.

This standard will not have any significant impact on the Group' financial statements because the management has decided to continue accounting for such investments under the cost method in the separate financial statements

### **4. SIGNIFICANT ACCOUNTING POLICIES**

#### **4.1 Cash and cash equivalents**

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

Deposits at financial institutions that are restricted in use are presented as "Deposits pledged as collateral" as part of non-current assets in the statement of financial position.

#### **4.2 Trade accounts receivable**

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

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

#### **4.3 Inventories**

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the weighted average method of finished goods, raw material, spare part and supplies. The cost of purchase comprises both the purchase price and costs directly attributable to the acquisition of the inventory, such as import duties and transportation charges less all attributable discounts and rebates. The cost of finished goods comprises raw materials, direct labor, other direct costs and related production overheads, the latter being allocated on the basis of normal operating activities. Net realizable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

#### **4.4 Project costs under development**

Project costs under development are stated of cost attributable to the land acquisition, construction and directly related expenditure to project including borrowing cost. The group company recorded borrowing cost which funded for assets development as project cost under development since the beginning project date to the development until such time as the assets are substantially.

#### **4.5 Investment in subsidiaries and joint ventures**

##### **Subsidiaries**

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

In a business combination achieved in stages, the acquirer shall remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss.

The consideration transferred in a business combination by the Group shall be measured at fair value at acquisition-date. Changes in the fair value of contingent consideration that the acquirer recognises after the acquisition date classified as assets or liabilities, with any resulting gain or loss recognised either in profit or loss or in other comprehensive income. Contingent consideration classified as equity shall not be remeasured and its subsequent settlement shall be accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Intercompany transactions, balances and unrealised gains or loss on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

#### **Transactions and non-controlling interests**

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

#### **Joint ventures**

Joint ventures are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in joint ventures are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in joint ventures includes goodwill identified on acquisition, net of any accumulated impairment loss.

If the Company's interest in an joint venture is reduced, but still has significant influence, the Company reclassifies to profit or loss the proportion of the gain or loss previously recognised in other comprehensive income relative to that reduction in ownership interest.

The Group's share of profit or loss in joint venture incurred for the post-acquisition shall be included in the profit or loss and share of comprehensive income incurred for the post-acquisition shall be included in the other comprehensive income. The accumulated of such changes for the post-acquisition shall be adjusted with the net book value of investments. If the Group's share of losses of an joint venture equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses, unless only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

The Group's share of its joint ventures' post-acquisition profits or losses is recognised in the profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group. Dilution gains and losses arising in investments in joint ventures are recognised in the profit or loss.

In the company's separated financial statements, investments in joint ventures are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

#### **4.6 Property, plant and equipment**

Land is initially recognised at cost. Land is subsequently carried at the revalued amount less accumulated impairment losses, if any.

Increases in the carrying amount arising on revaluation of land are credited to statement of comprehensive income and shown as gain on asset revaluation in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against gain on asset revaluation directly in equity; all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost is transferred from 'gain on asset revaluation' to retained earnings.

Land improvement, plant and equipment are initially recorded at cost including development expenditure, borrowing costs. All assets are stated at historical cost less accumulated depreciation.

Depreciation is calculated on the straight line method to write off the cost of each asset, to its residual value over the estimated useful life as follows:

Land improvement	10 years
Buildings and utility systems	5 - 20 years
Machineries and equipment	5 - 20 years
Fixtures and office equipment	5 years
Vehicles	5 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Estimated recoverable amount is the higher of the anticipated discounted cash flows from the continuing use of the asset and the amount obtainable from the sale of the asset less any costs of disposal.

Repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Company. Major renovations are depreciated over the remaining useful life of the related asset.

Work-in-progress and installation are stated at cost. These assets are not depreciated until such time as the relevant assets are completed and ready for their intended operational use.

Gains and losses on disposals of property, plant and equipment are determined by comparing proceeds with the carrying amount and are included in operating profit. When revalued assets are sold, the amounts included in gain on asset revaluation are transferred to retained earnings.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they are

incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

#### **4.7 Intangible assets**

Intangible assets are stated at cost less any accumulated amortisation and any accumulated impairment losses (if any).

Intangible assets with finite lives are amortised on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year end. The amortisation expense is charged to profit or loss.

Intangible assets with finite useful lives are as follows:

Computer software	5 years
Right to Power Purchase Agreements	20 years

#### **4.8 Impairment of assets**

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

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

#### **4.9 Accounting for leases - where company is the lessee**

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

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

#### **4.10 Employee benefits**

##### **Short-term employee benefits**

Salaries, wages, bonuses and contributions to the social security fund are recognised as expenses when incurred.

##### **Post-employment benefits**

Defined contribution plans

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

#### Defined benefit plans

The Group has obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Group treats these severance payment obligations as a defined benefit plan.

The obligation under the defined benefit plan is determined by a professionally qualified independent actuary based on actuarial techniques, using the projected unit credit method.

Actuarial gains and losses arising from other long-term benefits are recognised immediately in other comprehensive income.

#### **4.11 Provision**

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

#### **4.12 Revenue recognition**

Revenue comprises the delivery order value for the sale of goods net of output tax, sales returns and discounts. Revenue from sales of goods is recognized when significant risks and rewards of ownership of the goods are transferred to the buyer.

Revenue from sale of electricity is recognised in the statement of income based on the units of sales delivered at the applicable tariff rates.

Service income is recognized when services have been rendered by reference from completion.

Interest income and other income is recognized on an accrual basis.

#### **4.13 Income tax**

Income tax expense represents the sum of corporate income tax currently payable and deferred tax.

##### **Current tax**

Current income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

##### **Deferred tax**

Deferred income tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting period.

The Group recognises deferred tax liabilities for all taxable temporary differences while they recognise deferred tax assets for all deductible temporary differences and tax losses carried forward to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax losses carried forward can be utilised.

At each reporting date, the Group reviews and reduces the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

The Group records deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

#### **4.14 Foreign currency translation**

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

#### **4.15 Translation of foreign currency financial statements**

The financial statements of subsidiaries in other country have been prepared in the currency of the Yen. The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each statement of comprehensive income are translated at average exchange rates; and all resulting exchange differences are recognised as a separate component of equity.

#### **4.16 Basic earnings (loss) per share**

Basic earnings (loss) per share is calculated by dividing the profit (loss) for year attributable to shareholders by the weighted average number of common shares in issue during the year.

#### **4.17 Financial instruments**

Financial assets carried on the statement of financial position include cash and cash equivalents and trade accounts receivable. Financial liabilities carried on the statement of financial position include trade accounts payable, loans and accrued expense. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

The Group is party to derivative financial instruments, which mainly comprise foreign currency forward contracts. Such instruments are not recognized in the financial statements on the inception.

#### **4.18 Related parties related person and companies**

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.

#### **4.19 Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between buyer and seller (market participants) at the measurement date. The Company and its subsidiaries apply a quoted market price in an active market to measure their assets and liabilities that are required to be measured at fair value by relevant financial reporting standards. Except in case of no active market of an identical asset or liability or when a quoted market price is not available, the Company and its subsidiaries measure fair value using valuation technique that are appropriate in the circumstances and maximises the use of relevant observable inputs related to assets and liabilities that are required to be measured at fair value.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy into three levels based on categorise of input to be used in fair value measurement as follows:

Level 1 - Use of quoted market prices in an observable active market for such assets or liabilities

Level 2 - Use of other observable inputs for such assets or liabilities, whether directly or indirectly

Level 3 - Use of unobservable inputs such as estimates of future cash flows

At the end of each reporting period, the Company determine whether transfers have occurred between levels within the fair value hierarchy for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis.

#### **4.20 Significant accounting judgements and estimates**

The preparation of financial statements in conformity with generally accepted accounting principles at times requires management to make subjective judgements and estimates regarding matters that are inherently uncertain. These judgements and estimates affect reported amounts and disclosures and actual results could differ from these estimates. Significant judgements and estimates are as follows:

##### Allowance for doubtful accounts

In determining an allowance for doubtful accounts, the management needs to make judgement and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

##### Allowance for net realizable value

The Group considers the allowance for net realizable value based on the estimate of selling price in the ordinary course of business and normal condition of inventory. The net realizable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

##### Property plant and equipment

In determining depreciation of plant and equipment and intangible assets, the management is required to make estimates of the useful lives and residual values of the Company's plant and equipment and intangible assets and to review estimate useful lives and residual values when there are any changes.

In addition, the management is required to review property, plant and equipment for impairment on a periodical basis and records impairment losses when it is determined that their recoverable amount is lower than the carrying amount. This requires judgements regarding forecast of future revenues and expenses relating to the assets subject to the review.

**CHOW STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
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Intangible assets

In determining impairment testing of intangible assets, the management is required to make estimates of cash flows to be generated by the asset or the cash generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows.

Leases

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgement regarding whether significant risk and rewards of ownership of the leased asset has been transferred, taking into consideration terms and conditions of the arrangement.

Post-employment benefits under defined benefit plans

The obligation under the defined benefit plan is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate and staff turnover rate.

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the temporary differences and losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future taxable profits.

**5. TRANSACTIONS WITH RELATED PERSON AND COMPANIES**

**5.1 Relationship and pricing policy**

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

**Relationship**

**Subsidiaries**

Chow Energy Plc.	87.36% Shareholding and Directorship
Vertex Logistics Service Co., Ltd.	40% Shareholding and Directorship
Chow International Co., Ltd.	100% Shareholding by the subsidiary
Premier Solution Co., Ltd.	100% Shareholding by the subsidiary
AE Solar Godo Kaisha	100% Shareholding by the subsidiary
Premier Solution Japan K.K.	100% Shareholding by the subsidiary
Premier Solution GmbH	100% Shareholding by the subsidiary
Sun Energy Godo Kaisha	100% Shareholding by the subsidiary
Sol Power Godo Kaisha	100% Shareholding by the subsidiary
Sun Partner Japan Godo Kaisha	100% Shareholding by the subsidiary
CC Hamada Solar Godo Kaisha	100% Shareholding by the subsidiary

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	<u>Relationship</u>
<b><u>Joint ventures</u></b>	
Overseas Green Energy Co., Ltd.	40% Shareholding by the subsidiary an directorship
RICI International Investment Pte., Ltd.	40% Shareholding by the subsidiary
<b><u>Related Companies</u></b>	
Lewmanomont International Law Office	Directorship
Sritanathep Co., Ltd.	Directorship
Parkin Property Co., Ltd.	Shareholder and Director
<b><u>Related Persons</u></b>	
Mr. Anavin Jiratomsiri	Shareholder and Director
Mr. Tanachart Poudpongpaiboon	Shareholder and Director of subsidiary
Mr. Pruchya Piumsomboon	Director

	<u>Pricing policies</u>
Loan to	Interest charged at rate of 7.75% - 12% per annum
Loan from	Interest charged at rate of 7.75% - 12% per annum
Service income	Compared to market price
Disposal of fixed assets	Compared to market price
Rental income	At Contract price which had been agreed upon
Transportation expense	At Contract price which had been agreed upon
Administrative expenses	At Contract price which had been agreed upon
Guarantee	No fee charged

**5.2 Balances of transactions with subsidiary, related persons and companies**

Balances of transactions among the Company with subsidiary, related persons and companies as at 31 December 2016 and 2015 are as follows:

	In Baht			
	<u>Consolidated</u>		<u>Separate</u>	
	2016	2015	2016	2015
<b><u>Trade accounts receivable (Note 8)</u></b>				
Related company	-	1,464,238	-	-
<b><u>Other receivables (Note 8)</u></b>				
Subsidiaries	-	-	149,996,911	145,682,583
Related companies	288,900	910,000	-	-
Total	<u>288,900</u>	<u>910,000</u>	<u>149,996,911</u>	<u>145,682,583</u>

**CHOW STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
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	In Baht			
	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
<b><u>Short-term loan to</u></b>				
Subsidiaries				
Balance, beginning of the year	-	-	1,826,779,332	1,021,026,683
<u>Add</u> Increase during the year	-	-	6,520,858,385	3,987,001,338
<u>Less</u> Decrease during the year	-	-	(5,106,506,696)	(3,162,811,263)
Unrealized loss on foreign exchange rate	-	-	-	(18,437,426)
Balance, end of the year	-	-	3,241,131,021	1,826,779,332
<b><u>Trade accounts payables (Note 19)</u></b>				
Subsidiary	-	-	645,541	-
<b><u>Other payables (Note 19)</u></b>				
Related person	-	-	14,945	-
Subsidiary	-	-	13,119,895	879,611
Related companies	686,263	489,787	97,900	-
Total	686,263	489,787	13,232,740	879,611
<b><u>Short-term loan from</u></b>				
Related company				
Balance, beginning of the year	2,000,000	10,000,000	-	-
<u>Add</u> Increase during the year	-	2,000,000	-	-
<u>Less</u> Decrease during the year	(2,000,000)	(10,000,000)	-	-
Balance, end of the year	-	2,000,000	-	-
Related person				
Balance, beginning of the year	2,000,000	-	-	-
<u>Add</u> Increase during the year	-	2,000,000	-	-
<u>Less</u> Decrease during the year	(2,000,000)	-	-	-
Balance, end of the year	-	2,000,000	-	-
Total	-	4,000,000	-	-
<b><u>Other current liabilities</u></b>				
Subsidiaries	-	-	107,019	108,560

**CHOW STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
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**5.3 Revenues and expenses transactions with related parties**

Revenues and expenses transactions with subsidiary, related persons and companies for the year ended 31 December 2016 and 2015 are as follows:

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
<b><u>Revenues from service</u></b>				
Related company	-	1,368,447	-	-
<b><u>Rental income</u></b>				
Subsidiaries	-	-	1,643,624	1,284,222
<b><u>Interest income</u></b>				
Subsidiaries	-	-	242,354,426	146,407,344
<b><u>Cost of sales</u></b>				
Subsidiaries	-	-	-	541,234
<b><u>Transportation expense</u></b>				
Subsidiaries	-	-	29,484,433	22,165,576
<b><u>Legal fee</u></b>				
Related companies	3,632,169	1,382,802	1,575,719	1,302,752
<b><u>Finance cost</u></b>				
Related company	210,233	377,096	-	-
<b><u>Directors and management's benefits</u></b>	18,525,766	11,817,291	8,917,266	9,337,978

**6. CHANGES IN ACCOUNTING ESTIMATES**

For the year ended December 31, 2016, the Company reviewed the estimated useful lives of fixed assets and changed the useful lives of certain from 10 years to 20 years reflect the current usage condition and the future economic benefit. As a result, depreciation expense in the consolidated financial statements for the year ended December 31, 2016 decreased by Baht 6.34 million and consolidated net profit for the year ended increase by the same amount.

In addition, such change results in changes to the depreciation to be recorded in the consolidated statements of income of the future years as follows:

For the years ended December 31	Million Baht
	Increase (Decrease)
2017 - 2024	(6.3)
2025 - 2033	6.5
2034	5.6

**CHOW STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**7. CASH AND CASH EQUIVALENTS**

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Cash	215,046	188,700	99,766	78,783
Current deposits	50,802,676	35,367,674	49,254,914	23,620,003
Saving deposits	660,091,331	66,464,542	216,516,492	2,026,409
Fixed deposits	95,966	95,095	10,109	10,000
Total	<u>711,205,019</u>	<u>102,116,011</u>	<u>265,881,281</u>	<u>25,735,195</u>

**8. TRADE ACCOUNTS RECEIVABLES AND OTHER RECEIVABLES**

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Trade accounts receivable - related companies (Note 5.2)	-	1,464,238	-	-
Trade accounts receivable - other companies	<u>968,684,826</u>	<u>753,326,753</u>	<u>565,801,784</u>	<u>579,216,772</u>
Total Trade accounts receivable	968,684,826	754,790,991	565,801,784	579,216,772
Other receivables - related companies (Note 5.2)	288,900	910,000	149,996,911	145,682,583
Other receivables - other companies	335,141,516	99,136,094	1,956,354	5,758,905
Prepaid expenses	36,225,408	142,238,969	4,933,147	7,410,399
Advances payment for inventories	74,190,794	26,509,551	717,329	10,104,150
Advance payment	<u>11,804,349</u>	<u>101,204,799</u>	<u>-</u>	<u>-</u>
Total other receivables	<u>457,650,967</u>	<u>369,999,413</u>	<u>157,603,741</u>	<u>168,956,037</u>
Total	<u><u>1,426,335,793</u></u>	<u><u>1,124,790,404</u></u>	<u><u>723,405,525</u></u>	<u><u>748,172,809</u></u>

**CHOW STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
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**FOR THE YEAR ENDED 31 DECEMBER 2016**

Trade accounts receivable classify by aging as at 31 December 2016 and 2015 are as follows:

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Trade accounts receivable - related companies				
Overdue:				
Less than 3 months	-	1,464,238	-	-
Total trade accounts receivable - related companies	-	1,464,238	-	-
Trade accounts receivable - other companies				
Within credit terms	535,354,946	431,620,597	355,513,467	341,759,869
Overdue:				
Less than 3 months	188,486,823	233,237,968	129,639,278	232,456,903
3 – 6 months	78,865,099	57,749,899	75,649,039	-
6 – 12 months	92,261,334	33,907,318	-	8,189,029
Over 12 months	74,771,819	28,000	5,000,000	-
Total trade accounts receivable - other companies	969,740,021	756,543,782	565,801,784	582,405,801
<u>Less</u> Allowance for doubtful accounts	(1,055,195)	(3,217,029)	-	(3,189,029)
Trade accounts receivable - other companies	968,684,826	753,326,753	565,801,784	579,216,772
Total Trade Accounts Receivable	<u>968,684,826</u>	<u>754,790,991</u>	<u>565,801,784</u>	<u>579,216,772</u>

At the stage of development solar power projects in Japan, the Company appointed a lawyer firm in Japan to be an Escrow Agent to maintain Escrow Accounts that opened with a Japanese bank on behalf of the Escrow Agent for the purpose to use for the solar power generation business in Japan. The Company is the authorized person for approval of disbursements. In addition, the Company has no right to receive the interest from such Escrow Accounts. As at 31 December 2016 the Group has the outstanding balance of Escrow Accounts of Baht 220.35 million, which included in “Other receivables - other companies” in the consolidated financial statements (31 December 2015: amounting to Baht 0.1 million).

The management of the Group believes that allowance for doubtful debts in the financial statements is adequate in the current circumstances.

**CHOW STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**9. INVENTORIES**

**Consolidated financial statements**

	In Baht					
	Cost		Allowance for diminution of inventories		Inventories - net	
	2016	2015	2016	2015	2016	2015
Finished goods	654,611,244	767,123,275	(22,368,861)	(32,048,384)	632,242,383	735,074,891
Raw materials	53,105,766	124,245,656	-	(14,206,123)	53,105,766	110,039,533
Supplementary						
Material	34,667,649	46,218,118	(4,898,632)	(4,898,632)	29,769,017	41,319,486
Supplies	70,969,341	74,349,407	(528,307)	(2,381,412)	70,441,034	71,967,995
Total	<u>813,354,000</u>	<u>1,011,936,456</u>	<u>(27,795,800)</u>	<u>(53,534,551)</u>	<u>785,558,200</u>	<u>958,401,905</u>

**Separate financial statements**

	In Baht					
	Cost		Allowance for diminution of inventories		Inventories - net	
	2016	2015	2016	2015	2016	2015
Finished goods	412,254,177	722,237,729	(22,368,861)	(32,048,384)	389,885,316	690,189,345
Raw materials	53,105,766	124,245,656	-	(14,206,123)	53,105,766	110,039,533
Supplementary						
Material	34,667,649	46,218,118	(4,898,632)	(4,898,632)	29,769,017	41,319,486
Supplies	70,969,341	74,187,752	(528,307)	(2,381,412)	70,441,034	71,806,340
Total	<u>570,996,933</u>	<u>966,889,255</u>	<u>(27,795,800)</u>	<u>(53,534,551)</u>	<u>543,201,133</u>	<u>913,354,704</u>

During the year, the Group and the Company recognized reversal of allowance for diminution of inventory amounted Baht 25.74 million (31 December 2015 the Company recognized allowance for diminution of inventories amounted of Baht 25.30 million to reflect the net realizable value.) This was included in cost of sales.

**10. PROJECT COSTS UNDER DEVELOPMENT**

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Project costs under development	1,015,373,842	586,446,569	-	-
Capitalized interest	71,217,091	20,950,032	-	-
Total	<u>1,086,590,933</u>	<u>607,396,601</u>	<u>-</u>	<u>-</u>

The Group is developing the generating and selling projects from renewable energy in Japan.

**CHOW STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
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**11. DEPOSIT AT FINANCIAL INSTITUTIONS WITH RESTRICTIONS ON WITHDRAWAL**

As at 31 December 2016, the Group had cash savings of 96.99 million baht (31 December 2015 of Baht 67.89 million) in loans from financial institutions (Note 20), the financial institution has set the conditions for withdrawal such accounts must be informed by the bank prior to withdrawal.

**12. DEPOSITS PLEDGED AS COLLATERAL**

	In Baht			
	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2016	2015	2016	2015
Fixed Accounts	2,906,201,428	956,325,761	172,998,766	170,806,878
Bill of Exchange	-	172,750,000	-	172,750,000
Total	<u>2,906,201,428</u>	<u>1,129,075,761</u>	<u>172,998,766</u>	<u>343,556,878</u>

As at 31 December 2016 and 2015 the Group and the Company have fixed deposits and bill of exchanged were pledged as collateral for performance guarantee and payment of electricity fee (Note 34) and loans facilities from financial institutions (Notes 18 and 20).

**CHOW STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
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**13. INVESTMENT IN SUBSIDIARIES**

**Separate financial statements**

Company's name	Nature of business	Paid-up share capital (Million Baht)		Percentage of holding (%)		In Baht	
		2016	2015	2016	2015	Investment - At cost	
						2016	2015
Vertex Logistics Service Co., Ltd.	Logistics	18.00	18.00	40.00	40.00	7,200,000	7,200,000
Chow Energy Public Co., Ltd.	Holding company invests in Power Supply	570.00	308.70	87.36	76.67	440,085,391	178,738,031
					Total	<u>447,285,391</u>	<u>185,938,031</u>

Chow Steel Industries Public Company Limited has power of control in Vertex Logistics Service Company Limited therefore, the Company accounted for as a subsidiary and included in the preparation for the Group's consolidated financial statements.

**CHOW STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
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The movements of investment in subsidiaries for the year ended 31 December 2016 for the separate financial statements are as follows:

	<u>In Baht</u>
As at 1 January 2016	185,938,031
Paid share subscription	200,364,090
Increase from investment in non - controlling interest	<u>60,983,270</u>
As at 31 December 2016	<u><u>447,285,391</u></u>

On 4 May 2016, Chow Energy Public Company Limited, the subsidiary made a call for unpaid portion from 25% to 100% of its issued and paid-up capital. Its issued and paid up capital, as a result, increased from Baht 2.5 to Baht 10.0 per share. The Company paid for such additional shares subscription amounting to Baht 200.36 million. The Company's Percentage of interest on the subsidiary remains unchanged at 76.67%

On June 2016 the Company increase it's holding percentage by acquiring the portions of share from Non-controlling interest by the amount of 60.98 Baht million .As a result, the Company's ownership interest in the subsidiary as at 31 December 2016 changed from 76.67% to 87.36%

As at 23 June 2016, The Chow Energy Public Company Limited has become a public company limited

As at 31 December 2016 , The investments in Chow Energy of 339,686,400 shares, accounting for Bath 160.98 million have been pledged as a collateral for long-term credit facility of one certain bank. (Note 20)

**CHOW STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
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**14. INVESTMENT IN JOINT VENTURES**

**14.1 Details of joint ventures**

Company's name	Nature of business	Country of incorporation	In Baht					
			Consolidated financial statements					
			Shareholding percentage (%)		At Cost		At Equity Method	
2016	2015	2016	2015	2016	2015			
Overseas Green Energy Co., Ltd.	Management in Power generation	Thailand	40	40	6,400,000	6,400,000	4,257,385	4,780,569
RICI International Investment Pte. Ltd.	Investment in Power generation	Singapore	40	40	206,050,000	206,050,000	211,627,966	212,311,703
Total					212,450,000	212,450,000	215,885,351	217,092,272

**14.2 Summarized financial information of joint ventures**

Financial information of the joint ventures are summarized below

Company's name	In Baht									
	Issued and paid - up capital (including share premium) 31 December		Total assets 31 December		Total liabilities 31 December		Total revenues for the year ended 31 December		Profit (loss) for the year ended 31 December	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Overseas Green Energy Co., Ltd.	16,000,000	16,000,000	18,967,647	13,104,321	1,659,688	1,152,899	15,048,909	6,295,742	(1,307,959)	(4,024,629)
RICI International Investment Pte. Ltd.	515,125,000	515,125,000	599,350,442	584,268,339	1,100,890	645,660	-	16,930,254	(1,709,343)	15,654,255
Total	531,125,000	531,125,000	618,318,089	597,372,660	2,760,578	1,798,559	15,048,909	23,225,996	(3,017,302)	11,629,626

**CHOW STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**14.3 Share of profit (loss)**

During the period, the Group has recognized its share of profit (loss) from investments in joint ventures in the consolidated financial statements for the year ended 31 December as follows:

Company's name	In Baht	
	Consolidated financial statements	
	Share of profit (loss)	
	2016	2015
Overseas Green Energy Co., Ltd.	(523,184)	(1,609,851)
RICI International Investment Pte. Ltd.	(683,737)	6,261,703
Total	(1,206,921)	4,651,852

  

	In Baht	
	Consolidated financial statements	
	2016	2015
Changes in investments in joint ventures		
Beginning balance of year	217,092,272	390,420
Additional investment	-	212,050,000
Share of profit (loss)	(1,206,921)	4,651,852
Ending balance of year	215,885,351	217,092,272

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**FOR THE YEAR ENDED 31 DECEMBER 2016**

**15. PROPERTY, PLANT AND EQUIPMENT**

**CONSOLIDATED FINANCIAL STATEMENTS**

	In Baht						
	Land and land improvement	Buildings and utility system	Machineries and equipment	Fixtures and office equipment	Vehicles	Construction In progress	Total
<b>As at 1 January 2015</b>							
Cost	51,182,843	648,514,747	1,417,751,683	20,388,358	165,255,630	528,152,420	2,831,245,681
Revaluations	47,389,157	-	-	-	-	-	47,389,157
<u>Less</u> Accumulated depreciation	(79,450)	(207,106,428)	(456,722,933)	(16,386,499)	(90,131,627)	-	(770,426,937)
<u>Less</u> Allowance for impairment	-	-	(5,182,777)	-	-	-	(5,182,777)
Net book value	<u>98,492,550</u>	<u>441,408,319</u>	<u>955,845,973</u>	<u>4,001,859</u>	<u>75,124,003</u>	<u>528,152,420</u>	<u>2,103,025,124</u>
<b>Transactions during the year ended 31 December 2015</b>							
Net book value, beginning of year	98,492,550	441,408,319	955,845,973	4,001,859	75,124,003	528,152,420	2,103,025,124
<u>Add</u> Acquisition	-	3,176,289	28,610,543	1,758,602	11,334,178	1,514,802,618	1,559,682,230
Recognized the capitalized interest	-	-	-	-	-	18,340,781	18,340,781
Revaluations	20,900,000	-	-	-	-	-	20,900,000
Transfer in (out)	1,941,431	1,777,000	307,281,304	-	-	(399,569,691)	(88,569,956)
<u>Less</u> Disposals/write-off	-	-	-	-	(4,951,969)	-	(4,951,969)
<u>Less</u> Depreciation	-	(34,274,893)	(92,325,410)	(1,431,392)	(18,029,388)	-	(146,061,083)
<u>Adjust</u> Unrealized loss on foreign exchange rate	-	37,334	26,900,674	107,628	-	5,664,668	32,710,304
Net book value, end of year	<u>121,333,981</u>	<u>412,124,049</u>	<u>1,226,313,084</u>	<u>4,436,697</u>	<u>63,476,824</u>	<u>1,667,390,796</u>	<u>3,495,075,431</u>
Reclassification	-	-	-	-	-	(18,014,366)	(18,014,366)
Net book value (after reclassification)	<u>121,333,981</u>	<u>412,124,049</u>	<u>1,226,313,084</u>	<u>4,436,697</u>	<u>63,476,824</u>	<u>1,649,376,430</u>	<u>3,477,061,065</u>

**CHOW STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**CONSOLIDATED FINANCIAL STATEMENTS**

	In Baht						Total
	Land and land improvement	Buildings and utility system	Machineries and equipment	Fixtures and office equipment	Vehicles	Construction in progress	
<b>As at 31 December 2015</b>							
Cost	53,124,274	653,503,952	1,781,916,548	22,259,004	167,673,196	1,667,390,796	4,345,867,770
Revaluations	68,289,157	-	-	-	-	-	68,289,157
<u>Less</u> Accumulated depreciation	(79,450)	(241,379,903)	(550,420,687)	(17,822,307)	(104,196,372)	-	(913,898,719)
<u>Less</u> Allowance for impairment	-	-	(5,182,777)	-	-	-	(5,182,777)
Net book value, end of year	121,333,981	412,124,049	1,226,313,084	4,436,697	63,476,824	1,667,390,796	3,495,075,431
Reclassification	-	-	-	-	-	(18,014,366)	(18,014,366)
Net book value (after reclassification)	121,333,981	412,124,049	1,226,313,084	4,436,697	63,476,824	1,649,376,430	3,477,061,065
<b>Transactions during the year ended 31 December 2016</b>							
Net book value, beginning of year	121,333,981	412,124,049	1,226,313,084	4,436,697	63,476,824	1,649,376,430	3,477,061,065
<u>Add</u> Acquisition	3,541,431	12,350,000	3,214,042	9,728,792	11,749,000	1,773,060,366	1,813,643,631
Recognized the Capitalized interest	-	-	-	-	-	87,891,117	87,891,117
Transfer in (out)	21,094,609	-	676,221,582	-	-	(755,664,199)	(58,348,008)
<u>Less</u> Disposals/write-off	-	-	-	(38,271)	(10,759,563)	-	(10,797,834)
<u>Less</u> Depreciation	-	(34,770,941)	(120,867,905)	(1,611,075)	(7,130,656)	-	(164,380,577)
<u>Less</u> Allowance for impairment	-	-	-	-	-	(480,611)	(480,611)
<u>Adjust</u> Unrealized loss on foreign exchange rate	(64,412)	119,115	(31,037,291)	33,264	(4)	73,456,891	42,507,563
Net book value, end of year	145,905,609	389,822,223	1,753,843,512	12,549,407	57,335,601	2,827,639,994	5,187,096,346

**CHOW STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**CONSOLIDATED FINANCIAL STATEMENTS**

	In Baht						Total
	Land and land improvement	Buildings and utility system	Machineries and equipment	Fixtures and office equipment	Vehicles	Construction in progress	
<b>As at 31 December 2016</b>							
Cost	145,905,609	666,056,913	2,420,864,761	32,029,950	149,983,596	2,828,120,605	6,242,961,434
<u>Less</u> Accumulated depreciation	-	(276,234,690)	(661,838,472)	(19,480,543)	(85,128,420)	-	(1,042,682,125)
<u>Less</u> Allowance for impairment	-	-	(5,182,777)	-	-	(480,611)	(5,663,388)
<u>Less</u> Deferred gains from sale and leaseback	-	-	-	-	(7,519,575)	-	(7,519,575)
Net book value, end of year	<u>145,905,609</u>	<u>389,822,223</u>	<u>1,753,843,512</u>	<u>12,549,407</u>	<u>57,335,601</u>	<u>2,827,639,994</u>	<u>5,187,096,346</u>

As at 31 December 2016 and 2015, net book value of property, plant and equipment of the Group amounting to Baht 1,490.49 million and 1,554.33 million, respectively, are mortgaged as collateral for loans from financial institutions (Notes 18 and 20).

As at 31 December 2016 and 2015, assets under finance lease agreements included above, comprise of vehicle and office equipment with net book value of Baht 28.99 million and 29.83 million, respectively.

**CHOW STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**SEPARATE FINANCIAL STATEMENTS**

	In Baht						
	Land and land improvement	Buildings and utility system	Machineries and equipment	Fixtures and office equipment	Vehicles	Construction in progress	Total
<b>As at 1 January 2015</b>							
Cost	50,984,893	648,096,827	1,102,158,026	18,741,155	55,296,533	2,698,900	1,877,976,334
Revaluations	47,389,157	-	-	-	-	-	47,389,157
<u>Less</u> Accumulated depreciation	-	(207,103,451)	(453,806,222)	(16,149,699)	(22,878,273)	-	(699,937,645)
<u>Less</u> Allowance for impairment	-	-	(5,182,777)	-	-	-	(5,182,777)
Net book value	<u>98,374,050</u>	<u>440,993,376</u>	<u>643,169,027</u>	<u>2,591,456</u>	<u>32,418,260</u>	<u>2,698,900</u>	<u>1,220,245,069</u>
<b>Transactions during the year ended 31 December 2015</b>							
Net book value, beginning of year	98,374,050	440,993,376	643,169,027	2,591,456	32,418,260	2,698,900	1,220,245,069
<u>Add</u> Acquisition	-	3,176,289	5,032,108	213,917	11,334,178	-	19,756,492
Revaluations	20,900,000	-	-	-	-	-	20,900,000
Transfer in (out)	-	1,777,000	921,900	-	-	(2,698,900)	-
<u>Less</u> Disposals/Write-off	-	-	-	-	(4,951,969)	-	(4,951,969)
<u>Less</u> Depreciation	-	(34,170,547)	(69,149,332)	(932,183)	(5,820,840)	-	(110,072,902)
Net book value, end of year	<u>119,274,050</u>	<u>411,776,118</u>	<u>579,973,703</u>	<u>1,873,190</u>	<u>32,979,629</u>	<u>-</u>	<u>1,145,876,690</u>
<b>As at 31 December 2015</b>							
Cost	50,984,893	653,050,115	1,108,112,033	18,955,072	57,714,097	-	1,888,816,210
Revaluations	68,289,157	-	-	-	-	-	68,289,157
<u>Less</u> Accumulated depreciation	-	(241,273,997)	(522,955,553)	(17,081,882)	(24,734,468)	-	(806,045,900)
<u>Less</u> Allowance for impairment	-	-	(5,182,777)	-	-	-	(5,182,777)
Net book value, end of year	<u>119,274,050</u>	<u>411,776,118</u>	<u>579,973,703</u>	<u>1,873,190</u>	<u>32,979,629</u>	<u>-</u>	<u>1,145,876,690</u>

**CHOW STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**SEPARATE FINANCIAL STATEMENTS**

	In Baht						Total
	Land and land improvement	Buildings and utility system	Machineries and equipment	Fixtures and office equipment	Vehicles	Construction in progress	
<b>Transactions during the year ended</b>							
<b>31 December 2016</b>							
Net book value, beginning of year	119,274,050	411,776,118	579,973,703	1,873,190	32,979,629	-	1,145,876,690
Add Acquisition	-	-	472,161	391,205	-	-	863,366
Less Disposals/Write - off	-	-	-	(28,879)	-	-	(28,879)
Less Depreciation	-	(34,559,489)	(68,150,117)	(841,988)	(5,614,419)	-	(109,166,013)
Net book value, end of year	<u>119,274,050</u>	<u>377,216,629</u>	<u>512,295,747</u>	<u>1,393,528</u>	<u>27,365,210</u>	<u>-</u>	<u>1,037,545,164</u>
<b>As at 31 December 2016</b>							
Cost	50,984,893	653,050,115	1,108,584,194	14,174,785	57,714,097	-	1,884,508,084
Revaluations	68,289,157	-	-	-	-	-	68,289,157
Less Accumulated depreciation	-	(275,833,486)	(591,105,670)	(12,781,257)	(30,348,887)	-	(910,069,300)
Less Allowance for impairment	-	-	(5,182,777)	-	-	-	(5,182,777)
Net book value, end of year	<u>119,274,050</u>	<u>377,216,629</u>	<u>512,295,747</u>	<u>1,393,528</u>	<u>27,365,210</u>	<u>-</u>	<u>1,037,545,164</u>

As at 31 December 2016 and 2015, net book value of property, plant and equipment of the Company amounting to Baht 884.20 million and Baht 948.04 million, respectively are mortgaged as collateral for loans from financial institutions (Notes 18 and 20).

The Company arranged for an independent professional value to appraise the value of certain assets in 2015 on an asset-by-asset basis. The bases of the revaluation Land were revalued using the market approach.

**CHOW STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**16. INTANGIBLE ASSETS**

	In Baht			
	Consolidated financial statements			Separate financial statements
	License on project development	Computer Software	Total	Computer Software
<b>As at 1 December 2015</b>				
Cost	39,413,645	8,939,890	48,353,535	8,840,845
<u>Less</u> Accumulated amortization	<u>(259,158)</u>	<u>(8,848,875)</u>	<u>(9,108,033)</u>	<u>(8,840,844)</u>
Net book amount, end of year	<u>39,154,487</u>	<u>91,015</u>	<u>39,245,502</u>	<u>1</u>
<b>Transactions during the year ended 31 December 2015</b>				
Net book value, beginning of year	39,154,487	91,015	39,245,502	1
<u>Add</u> Acquisition	108,509,366	3,442,857	111,952,223	-
<u>Less</u> Amortization	<u>(2,506,653)</u>	<u>(41,073)</u>	<u>(2,547,726)</u>	-
<u>Transfer</u> from property plant and equipment	88,569,956	-	88,569,956	-
<u>Adjust</u> Unrealized gain on foreign exchange rate	<u>5,439,091</u>	<u>8,910</u>	<u>5,448,001</u>	-
Net book value, end of year	<u>239,166,247</u>	<u>3,501,709</u>	<u>242,667,956</u>	<u>1</u>
<b>As at 31 December 2015</b>				
Cost	241,932,058	12,391,657	254,323,715	8,840,845
<u>Less</u> Accumulated amortization	<u>(2,765,811)</u>	<u>(8,889,948)</u>	<u>(11,655,759)</u>	<u>(8,840,844)</u>
Net book amount, end of year	<u>239,166,247</u>	<u>3,501,709</u>	<u>242,667,956</u>	<u>1</u>
<b>Transactions during the year ended 31 December 2016</b>				
Net book value, beginning of year	239,166,247	3,501,709	242,667,956	1
<u>Add</u> Acquisition	893,937	5,824,805	6,718,742	-
<u>Less</u> Amortization	<u>(35,616,406)</u>	<u>(168,496)</u>	<u>(35,784,902)</u>	-
<u>Transfer</u> from property plant and equipment and Project costs under development	297,833,287	(13,507,704)	284,325,583	-
<u>Adjust</u> Unrealized gain on foreign exchange rate	<u>7,364,420</u>	<u>13,542,200</u>	<u>20,906,620</u>	-
Net book value, end of year	<u>509,641,485</u>	<u>9,192,514</u>	<u>518,833,999</u>	<u>1</u>
<b>As at 31 December 2016</b>				
Cost	548,023,702	18,250,958	566,274,660	8,840,845
<u>Less</u> Accumulated amortization	<u>(38,382,217)</u>	<u>(9,058,444)</u>	<u>(47,440,661)</u>	<u>(8,840,844)</u>
Net book amount, end of year	<u>509,641,485</u>	<u>9,192,514</u>	<u>518,833,999</u>	<u>1</u>

**CHOW STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**17. OTHER NON - CURRENT ASSET**

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2016	2015	2016	2015
Share purchase deposit	33,670,000	33,670,000	-	-
Investment in the project	18,014,366	18,041,366	-	-
Other deposit	26,548,440	8,817,221	2,093,910	937,050
Withholding taxes	4,371,218	1,222,053	4,371,218	1,222,053
<u>Less Allowance for doubtful accounts</u>	<u>(16,835,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>65,769,024</u>	<u>61,750,640</u>	<u>6,465,128</u>	<u>2,159,103</u>

**Share purchase deposit**

The board of directors' Meeting of Chow Steel Industries Public Company Limited on 9 June 2015 passed a special resolution to have Chow International Company Limited invested in solar power project in Republic of the Philippines. The project size is approximately 25 megawatt and the project value is approximately Baht 1,500 million. The Company appointed Premier Solution Philippines Company Limited to be the solar power developer of Chow International Company Limited.

In order that on 19 June 2015, Premier Solution Company Limited had paid USD 1 million (Baht 33.7 million) for share purchase deposit of a Company in Republic of the Philippines. Such deposit could be regained when the Company cancel the due diligence.

**18. BANK OVERDRAFTS AND SHORT - TERM LOANS FROM FINANCIAL INSTITUTIONS**

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2016	2015	2016	2015
Overdrafts	1,853,037,618	459,400,674	-	-
Bills of exchange	3,124,499,023	2,923,465,127	2,617,713,205	1,982,880,208
Short - term loans	616,250,126	388,598,837	616,250,126	388,598,837
Total	<u>5,593,786,767</u>	<u>3,771,464,638</u>	<u>3,233,963,331</u>	<u>2,371,479,045</u>

As at 31 December 2016, the Group and the Company have overdraft and short - term loan facilities of Baht 9,695.12 million and Baht 8,118.25 million, respectively, (31 December 2015 : Baht 7,923.40 million and Baht 5,530.00 million, respectively), bear interest at the rate of MMR, Prime+1% per annum.

The overdrafts and short - term loans from financial institutions are secured by fixed deposits (Note 12), property, plant and equipment (Note 15) and guarantee by the director.

As at 31 December 2016, the Group and the Company have unsecured bills of exchange with interest Baht 3,124.50 million and Bath 2,617.71 million, respectively, the rate of interest 3.90% – 5.50% (31 December 2015 : the Group of the Company have bills of exchange are unsecured with interest 4.20% of Baht 940.60 million).

**CHOW STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**19. ACCOUNTS PAYABLE AND OTHER PAYABLES**

	In Baht			
	Consolidated		Separate	
	Financial statements		Financial statements	
	2016	2015	2016	2015
Account payables - related companies (Note 5.2)	-	-	645,541	-
Account payables - other company	178,635,017	294,825,038	20,044,201	7,929,371
Other payables				
Accrued expenses	63,333,247	12,635,352	53,929,231	10,566,261
Other payables - related companies (Note 5.2)	686,263	489,787	13,232,740	879,611
Other payables - other companies	169,639,010	15,756,997	107,019	178,019
Total Other payable	233,658,520	28,882,136	67,268,990	11,623,891
Total Accounts payable and other payables	412,293,537	323,707,174	87,958,732	19,553,262

**20. LONG - TERM LOANS FROM FINANCIAL INSTITUTIONS**

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2016	2015	2016	2015
Long - term loans from financial institutions				
Long - term loan - classified as current liability	62,703,612	211,660,670	62,703,612	211,660,670
Current portion				
- Loan from financial institutions	223,383,929	61,809,200	16,035,712	25,986,630
- Debentures	595,886,666	595,200,000	595,886,667	595,200,000
Total current portion	819,270,595	657,009,200	611,922,379	621,186,630
Long - term portion				
- Loan from financial institutions	3,695,512,033	1,039,113,036	-	-
- Debentures portion	1,224,008,116	698,866,666	1,124,274,783	698,866,666
Total long - term portion	4,919,520,149	1,737,979,702	1,124,274,783	698,866,666
Total long term loans from financial Institutions	5,801,494,356	2,606,649,572	1,798,900,774	1,531,713,966

**CHOW STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**20.1 Long - term loans from financial institutions**

	In Baht			
	Consolidated Financial statements		Separate Financial statements	
	2016	2015	2016	2015
Long - term loans from financial institutions	3,981,599,574	1,312,582,906	78,739,324	237,647,300
<u>Less</u> Current portion	(223,383,929)	(61,809,200)	(16,035,712)	(25,986,630)
<u>Less</u> Long - term loan classified as current liability	(62,703,612)	(211,660,670)	(62,703,612)	(211,660,670)
Net	<u>3,695,512,033</u>	<u>1,039,113,036</u>	<u>-</u>	<u>-</u>

As at 31 December 2016, the loans from financial institutions of Baht 3,981.60 million (31 December 2015: Baht 1,312.58 million) bear interest at the rate of MLR - 0.5% per annum. The loans will be repaid on a monthly basis as stipulated in the loan agreements. Such credit facilities are guaranteed by fixed deposits (Note 1 2) property, plant and equipment (Note 15) and guarantee by the director.

On 26 March 2015, a subsidiary in Japan entered into loan agreement with financial institution in Japan amounting to Baht 266.64 million (equivalent to Yen 983 million) and is repayable in semi-annual installment for 15 years with every 6 months according to regarding in the agreement. The first installment on 21 April 2016 and the last installment on 31 October 2029. Such loan is secured by the mortgage of the construction and pledge of machinery and equipment of power plant (Note 15) and the assignment of right in receivable collection.

On 4 September 2015, the subsidiary issued unsecured bill at exchange for borrowing from a financial institutions of Thailand amounted of Baht 150 million. The maturity date is within 2 March 2017.

On 24 December 2015, a subsidiary in Japan entered into loan agreement with financial institution in Japan amounting to Baht 335.56 million (equivalent to Yen 1,120 million) and is repayable installment for 17 years with every 6 months according to regarding in the agreement. The first installment on 30 June 2016 and the last installment on 31 December 2032. Such loan is secured by the mortgage of the construction and pledge of machinery and equipment of power plant (Note 15) and the assignment of right in receivable collection.

On 8 ,12 January 2016, a subsidiary into loan agreement with financial institution in Thai amounting to Baht 343.06 million (equivalent to Yen 1,000 million) according to regarding in the agreement. The first installment on 12 January 2018 The loans will be repaid on a monthly basis as stipulated in the loan agreements. Such credit facilities are guaranteed by fixed deposits (Note 12) during year 2016 the subsidiary company repayment loan and interest all amount to financial institutions

On 14 September 2016, a subsidiary into loan agreement with financial institution in Thai amounting to Baht 9,880 million and is repayable installment for 1 year 3 months. Such loan are guaranteed by fixed deposits (Note 11)

On 29 September 2016, a subsidiary in Japan entered into loan agreement with financial institution in Japan amounting to Baht 291.55 million and is repayable installment for 17 years with every 6 months according to regarding in the agreement. The first installment on 31 March 2017 and the last installment on 29 September 2033. Such loan is secured by the mortgage of the construction and pledge of machinery and equipment of power plant (Note 15) and the assignment of right in receivable collection.

On 18 November 2016, a subsidiary in Japan entered into loan agreement with financial institution in Japan amounting to Yen 4,854.00 million and is repayable installment for 15 years with every 6 months according to regarding in the agreement. The first installment on 2017 and the last installment on 2032. Such loan is secured by the mortgage of the construction and pledge of machinery and equipment of power plant (Note 15) and the assignment of right in receivable collection.

**CHOW STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

On 15 December 2016, a subsidiary in Japan entered into loan agreement with financial institution in Japan amounting to Yen 711.00 million and is repayable installment for 16 years with every 6 months according to regarding in the agreement. The first installment on 30 June 2017 and the last installment on 15 December 2032. Such loan is secured by the mortgage of the construction and pledge of machinery and equipment of power plant (Note 15) and the assignment of right in receivable collection

The movements of long-term loans from financial institutions for the year ended 31 December 2016 are as follows:

	In Baht	
	Consolidated financial statements	Separate financial statements
<b>Transactions during the year ended 31 December 2016</b>		
Balance, beginning of the year	1,312,582,905	237,647,300
Additions of loan	3,471,210,426	-
Decrease during the year	(808,002,684)	(162,458,000)
Debt issuance fee	(11,342,819)	-
Amortization of bank fee	4,615,402	3,550,024
Unrealized loss on foreign exchange rate	(12,903,355)	-
Exchange differences on translating financial statement	25,439,699	-
Balance, end of the year	<u>3,981,599,574</u>	<u>78,739,324</u>

The maturity periods of long - term loans are as follows:

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Current portion due within 1 year	286,087,541	273,469,870	16,035,712	237,647,300
Due within 1 – 3 years	1,917,243,447	526,183,221	32,518,027	-
Due within 3 – 5 years	280,592,404	75,943,238	30,185,585	-
Due over 5 years	1,497,676,182	436,986,577	-	-
Total portion over 1 year	<u>3,695,512,033</u>	<u>1,039,113,036</u>	<u>62,703,612</u>	<u>-</u>
Total long - term loans from financial Institutions	<u>3,981,599,574</u>	<u>1,312,582,906</u>	<u>78,739,324</u>	<u>237,647,300</u>

The loan agreement contains normal covenants pertaining to matters such as the maintenance of a certain Debt to - equity ratio.

According to the conditions stipulated in the loan agreements, the Company agrees not to mortgage or otherwise encumber its assets with any other parties throughout the loan period. In addition, the Company has to comply with certain covenants, pertaining to matters such as maintaining certain financial ratios. As at the end of the reporting period, the Company was unable to maintain certain financial ratios as stipulated in the loan agreements, to comply with generally accepted accounting principles, the Company therefore reclassified such loan as current liability.

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During 2016 and 2015, the Company and a subsidiary entered into the Loan Agreements with financial institutions as follows:

<b>Lender</b>	<b>Borrower</b>	<b>Loan Amount</b>	<b>Period</b>	<b>Interest rate</b>	<b>Repayment</b>	<b>Collateral</b>	<b>Objective of loan</b>
A local bank	The Company	Baht 597.00 million (As at 31 December 2016 the Company has withdrawn such loan amount Baht 80.17 million)	6 years	BIBOR plus 3.5% per annum	Repay every 6 months at the repayment amount as stipulated in the Loan Agreement. The first installment will be paid at the end of the 7 <sup>th</sup> months from the date of drawdown loan and the last installment will be due in March 2021.	Pledged by the bank deposit and a subsidiary's shares	Equity Finance to investment in subsidiaries for Solar Power Plant in Japan.
A local bank	The Company	As at 31 December 2015 the Company withdrew the loan of Yen 2,500.0 million, equivalent to Baht 696.5 million and repayment amount year Yen 2,000 million equivalent Bath 557.2 million)	5 years	Cost of Funds plus 1.0% per annum	Repay every 6 months at the repayment amount as stipulated in the Loan Agreement. The first installment will be due in March 2017 and the last installment will be due in March 2020.	Pledged by Bill of Exchange each of the drawdown loan (Note 11)	Construction Finance for Solar Power Plant in Japan.
A local bank	The Subsidiary in Thailand	A loan of Yen 1,000.00 million.	2 years	The interest is repayment on the amount specified in the loan agreement	The loan is repayment in full on the due date	The guarantee of bank deposits	Construction Finance for Solar Power Plant in Japan.

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<b>Lender</b>	<b>Borrower</b>	<b>Loan Amount</b>	<b>Period</b>	<b>Interest rate</b>	<b>Repayment</b>	<b>Collateral</b>	<b>Objective of loan</b>
A local bank	The Subsidiary in Japan	A loan of Yen 9,880 million	1 years 3 months	The interest is repayment on the amount specified in the loan agreement	The loan is repayment in full on the due date	The guarantee of bank deposits	Construction Finance for Solar Power Plant in Japan.
A bank in Japan	The Subsidiary in Japan	A loan of Yen 423 million	1 year	The interest is repayment on the amount specified in the loan agreement	The loan is repayment in full on the due date	The guarantee of bank deposits	Construction Finance for Solar Power Plant in Japan.
A bank in Japan	The Subsidiary in Japan	A loan of Yen 291.55 million	17 years	The interest is repayment on the amount specified in the loan agreement	The repayment period is 34 installments with the first installment due on 31 March 2017 and the final installment will be due on 29 September 2033	- Mortgage machinery and equipment. The power plant project - Reassignment of charge from the sale of electricity.	Construction Finance for Solar Power Plant in Japan.
A bank in South Korea	The Subsidiary in Japan	A loan of Yen 4,854 million	18 years	The interest is repayment on the amount specified in the loan agreement	The repayment period of 36 years, the first installment is due in 2018 and the final installment will be due in 2035.	- Mortgage machinery and equipment. The power plant project - Reassignment of charge from the sale of electricity.	Construction Finance for Solar Power Plant in Japan.
A bank in Japan	The Subsidiary in Japan	A loan of yen 711 million	16 years	The interest is repayment on the amount specified in the loan agreement	The repayment period is 32 installments with the first installment due on 30 June 2017 and the final installment will be due on 15 December 2032.	- Mortgage machinery and equipment. The power plant project - Reassignment of charge from the sale of electricity.	Construction Finance for Solar Power Plant in Japan.

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**20.2 Debentures**

	In Baht	
	Consolidated financial statements	Separate financial statements
Balance, beginning of the year	1,294,066,666	1,294,066,666
Issue of debentures	1,125,000,000	1,025,000,000
Repayment of Debentures	(600,000,000)	(600,000,000)
Debenture issuance fee	(15,980,000)	(15,680,000)
Amortization	16,808,116	16,774,784
Balance, end of the year	<u>1,819,894,782</u>	<u>1,720,161,450</u>

On 25 June 2015, the Company issued syndicated, not secure and not representative debentures for two tranches at 600,000 units each trench, at Baht 1,000 each. The debentures will due on 25 December 2016 and 25 June 2017. The debentures bear interest at the rates of 5.15% and 5.25% per annum and pay interest by quarter, starting on 25 September 2015. The Company used the consideration, net of debenture issuance fee for working capital both short - term and long - term operations of the Company.

On 27 November 2015, the Company issued syndicated, not secure and not representative debentures for one tranches at 100,000 units each trench, at Baht 1,000 each. The debentures will due on 26 November 2020. The debentures bear interest at the rates of 5.60% and pay interest by quarter, starting on 26 February 2016. The Company used the consideration, net of debenture issuance fee for working capital both short - term and long-term operations of the Company.

On 11 January 2016, the Company issued syndicated, not secure and not representative debentures for one tranches at 645,000 units each trench, at Baht 1,000 each. The debentures will due on 14 November 2018. The debentures bear interest at the rates of 5.25% and pay interest by quarter, starting on 14 January 2016. The Company used the consideration, net of debenture issuance fee for working capital both short - term and long-term operations of the Company.

On 31 August 2016, the Company issued syndicated, not secure and not representative debentures for one tranches at 180,000 units each trench, at Baht 1,000 each. The debentures will due on 30 August 2018. The debentures bear interest at the rates of 5.10% and pay interest by quarter, starting on 1 December 2016. The Company used the consideration, net of debenture issuance fee for working capital both short - term and long-term operations of the Company.

On 21 October 2016, the Company issued syndicated, not secure and not representative debentures for one tranches at 200,000 units each trench, at Baht 1,000 each. The debentures will due on 3 October 2018. The debentures bear interest at the rates of 5.10% and pay interest by quarter, starting on 21 January 2017. The Company used the consideration, net of debenture issuance fee for working capital both short - term and long-term operations of the Company.

On 4 November 2016, the Company issued syndicated, not secure and not representative debentures for one tranches at 100,000 units each trench, at Baht 1,000 each. The debentures will due on 2 May 2018. The debentures bear interest at the rates of 4.50% and pay interest by quarter, starting on 2 February 2017. The Company used the consideration, net of debenture issuance fee for working capital both short-term and long-term operations of the Company.

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**21. LIABILITIES UNDER FINANCE LEASE AGREEMENTS**

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2016	2015	2016	2015
Liabilities under finance lease agreements	10,773,123	112,885	-	-
<u>Less</u> Deferred interest charges	<u>(1,007,021)</u>	<u>(14,150)</u>	-	-
Total	9,766,102	98,735	-	-
<u>Less</u> Current portion	<u>(3,584,397)</u>	<u>(38,358)</u>	-	-
Net	<u>6,181,705</u>	<u>60,377</u>	-	-

The ownership of assets under finance lease agreements will be transferred to the Company when the last installment is paid.

A subsidiary entered into the agreement with a financial institution to transfer right in collection from parent company for settlement of finance lease liabilities.

**22. EMPLOYEE BENEFIT OBLIGATIONS**

The Group pays post-employment benefit and pension based on the requirement of Thai Labor Protection Act B.E. 2541 to provide retirement benefits and other long term benefit to employees based on pensionable remuneration and length of service.

Movement in the present value of the defined benefit obligations

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2016	2015	2016	2015
<b>Defined benefit obligations at 1 January</b>	4,349,223	6,005,196	3,437,161	4,846,013
Included in profit or loss:				
Current service costs	1,814,672	2,613,934	1,031,500	1,759,383
Interest on obligation	187,457	381,794	133,166	299,138
Included in other comprehensive income:				
Remeasurements of post - employment benefit obligations				
Actuarial gain	(1,123,268)	(4,567,701)	-	(3,383,373)
Benefits paid by the plan	-	(84,000)	-	(84,000)
<b>Defined benefit obligations at 31 December</b>	<u>5,228,084</u>	<u>4,349,223</u>	<u>4,601,827</u>	<u>3,437,161</u>

**CHOW STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
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Line items in profit or loss under which long-term employee benefit expenses are recognized are as follows:

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Cost of sales	988,971	1,492,650	909,115	1,292,348
Administrative expenses	1,013,158	1,503,078	255,551	766,173
Total	<u>2,002,129</u>	<u>2,995,728</u>	<u>1,164,666</u>	<u>2,058,521</u>
<b>Other comprehensive income for the year ended 31 December</b>				
Actuarial gain recognized in other comprehensive income	<u>(1,123,268)</u>	<u>(4,567,701)</u>	<u>-</u>	<u>(3,383,373)</u>

The Group expect to no pay employee benefits during the next year

As at 31 December 2016 and 2015, the weighted average duration of the liabilities for long-term employee benefit is 16 years.

Principal actuarial assumptions at the reporting date For the year ended 31 December 2016 and 2015

	Consolidated financial statements	
	2016	2015
Discount rate	2.51 – 3.65% per annum	2.51 – 3.41% per annum
Salary increase rate	4.00 – 5.00% per annum	4.00 – 5.00% per annum
Employee turnover rate	Scale related to Age ranging from 0 – 28.51%	Scale related to Age ranging from 0 – 26.46%
Mortality rate	According to Thailand TMO 2008 male and female tables	According to Thailand TMO 2008 male and female tables
	Separate financial statements	
	2016	2015
Discount rate	2.98% per annum	2.98% per annum
Salary increase rate	5.00% per annum	5.00% per annum
Employee turnover rate	Scale related to Age ranging from 0 – 26.46%	Scale related to Age ranging from 0 – 26.46%
Mortality rate	According to Thailand TMO 2008 male and female tables	According to Thailand TMO 2008 male and female tables

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**Sensitivity analysis**

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
<b>Defined benefit obligation at 31 December 2016</b>	Increase	Decrease	Increase	Decrease
Discount rate (0.5% movement)	(116,463)	164,086	(88,954)	93,228
Future salary growth (1% movement)	355,830	(281,962)	224,504	(208,051)
Turnover rate (10% movement)	(211,900)	303,095	(193,757)	242,230

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

**23. AUTHORIZED SHARE CAPITAL, ISSUED AND PAID - UP SHARE CAPITAL**

As at 31 December 2016 and 2015, the Company has authorized and paid - up share capital amounting to Baht 800 million (divided into 800 million of common shares with a par value of Baht 1 per share).

**24. LEGAL RESERVE**

The legal reserve of the Company was established in accordance with the provisions of the Thai Public Company Limited Act B.E. 2535, which requires the appropriation as legal reserve of at least 5% of net income for the year after deduction of the deficit brought forward (if any) until the reserve reaches 10% of the authorized share capital. This reserve is not available for dividend distribution.

In the year 2016, the Company has appropriated for legal reserve of Baht 1.61 million.

**25. NON-CONTROLLING INTERESTS**

	In Baht	
	Consolidated financial statements	
	2016	2015
<b>Balance as at 1 January</b>	104,616,731	82,667,555
Additional (decrease) investment in subsidiaries	(33,067,619)	20,327,770
Income (loss) for the year	4,180,032	1,211,498
Other Comprehensive income for the year	389,361	409,908
<b>Balance as at 31 December</b>	<b>76,118,505</b>	<b>104,616,731</b>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**26. OTHER INCOME**

Other income for the year ended 31 December 2016 and 2015 are as follows:

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Income from the sale of License on project development	-	97,222,200	-	97,222,200
Interest income	62,414,223	23,932,978	245,056,365	154,001,849
Other income	59,071,703	31,395,453	9,468,639	29,419,830
Total	<u>121,485,926</u>	<u>152,550,631</u>	<u>254,525,004</u>	<u>280,643,879</u>

**27. PROVIDENT FUND**

The Group and its employees jointly established a provident fund under the Provident Fund Act B.E. 2530. The fund is contributed to on a monthly basis by the employees at rates of 3 – 7 percent of the basic salaries, and by the Company at the rate of 3 – 7 percent, based on the length of employment. During the years ended 31 December 2016 the Group contributed approximately Baht 2.63 million (2015: Baht 1.8 million). (Separate financial statements 2016: Baht 2.1 million , 2015: Baht 1.6 million).

**28. INCOME TAX**

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
<b>Current income tax</b>				
Current year	36,242,228	40,955,567	-	-
<b>Deferred tax</b>				
Relating to origination and reversal of temporary differences	(1,146,052)	(5,560,386)	-	-
Income tax recognized in comprehensive income	<u>35,096,176</u>	<u>35,395,181</u>	<u>-</u>	<u>-</u>

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2016 and 2015 are as follows:

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Deferred tax				
Actuarial gain	224,654	23,809	-	-
Revaluation surplus on land	-	4,180,000	-	4,180,000
Total	<u>224,654</u>	<u>4,203,809</u>	<u>-</u>	<u>4,180,000</u>

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Reconciliation between income tax expenses and the product of accounting profit multiplied by the applicable tax rates for the years ended 31 December 2016 and 2015 as follows:

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Accounting profit (loss) before income tax	71,810,947	(73,812,572)	31,536,757	(81,548,668)
Applicable tax rate	20% – 40%	20% – 40%	20%	20%
Accounting profit (loss) before income tax multiplied by applicable tax rate	36,390,703	18,031,227	6,307,351	(15,633,059)
Effects of:				
BOI privileges	-	-	-	-
Expenses not deductible for tax purposes	27,441,011	25,373,257	11,915,160	848,323
Addition expenses deductible for tax purposes	(211,548,435)	-	(210,633,955)	(36,840,271)
Utilization of taxable loss carried forward	183,958,949	(4,944,461)	-	-
Tax losses	-	2,495,544	192,411,444	51,625,007
Current income tax	36,242,228	40,955,567	-	-
Changes of temporary differences	(1,146,052)	(5,560,386)	-	-
Income tax expenses presented in the statements of comprehensive income	35,096,176	35,395,181	-	-

There is no income tax for year 2016 and 2015 to be paid due to the Company received tax benefit from BOI privileges (Note 31).

Deferred tax assets is presented in the statements of financial position as follows:

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
<b><u>Deferred tax assets</u></b>				
Finance lease agreements	228,336	-	-	-
Gain from the sale and leaseback	1,503,915	-	-	-
Employee benefit obligations	125,252	181,669	-	-
Accumulated tax losses	4,979,597	5,610,554	-	-
Total	6,837,100	5,792,223	-	-
<b><u>Deferred tax liabilities</u></b>				
Revaluation surplus on land	(13,657,831)	(13,657,831)	(13,657,831)	(13,657,831)

As at 31 December 2016, the deferred tax liabilities of Baht 13.7 million (2015: Baht 13.7 million) from revaluation surplus on land, which presented by offset with revaluation surplus on land, which presented in other components of equity.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**29. EXPENSES BY NATURE**

Significant expenses by nature for the years ended 31 December 2016 and 2015 are as follows:

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Changes in finished goods	112,512,031	(159,965,875)	309,983,552	(204,851,421)
Raw materials and supplies used	700,215,095	403,514,410	759,368,785	403,514,410
Utilities	182,550,997	165,866,591	182,550,997	163,360,999
Transportation expenses	29,628,001	23,391,085	29,628,001	22,214,576
Consultant fee	75,549,908	15,519,593	8,857,595	5,536,594
Traveling expenses	11,306,573	9,324,185	870,813	809,506
Staff costs	122,092,450	139,055,374	78,972,429	113,343,685
Depreciation and amortization	200,165,479	148,608,809	109,166,013	110,072,902
Rental fee	10,335,509	10,511,724	5,244,704	4,128,055
Other fee	17,804,748	3,803,054	1,093,322	993,514

**30. SEGMENT INFORMATION**

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 Group is engaged in the business of manufacturing and distribution of steel billet and logistic service.

The Group operates in one geographical area in Thailand. The segment information can be classified into 2 segments as follows:

- a: Segment relating to distribution of steel billet
- b: Segment relating to investment and consultant for Renewable power

Revenues and expenses classified by segment for the year ended 31 December 2016 and 2015 are as follows:

	In Million Baht					
	2016			2015		
	a	b	Total	a	b	Total
Sales and service income	1,471.58	1,148.26	2,619.84	1,209.82	961.63	2,171.45
Profit (loss) from segment	270.61	(84.46)	186.15	94.69	(23.62)	71.07

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**Geographical segment**

The financial information is classified by geographical segment. Revenue and asset are classified follow by geographical of customer and located of asset respectively.

Geographical segment information

	In Million Baht			
	Total Revenue		Total Asset	
	2016	2015	2016	2015
Thai	2,391.18	2,099.06	8,099.19	5,486.22
Japan	350.14	270.03	5,132.39	2,605.70
Germany	-	-	0.77	0.44
Total	2,741.32	2,369.09	13,232.35	8,092.36

**Major customers**

In 2016, the Group has revenue from two major customers, represented at 39% of total revenues (2015: two major customers, represented at 29% of total revenues).

**31. PROMOTION PRIVILEGES**

The Company was granted investment promotional privileges by the Board of Investment (BOI) under the BOI certificates as follows:

- Investment promotion certificate No. 1337 (2) / 2548 dated 20 April 2005
- Investment promotion certificate No. 2558 (2) / 2550 dated 7 December 2007

Important privileges granted to the Company are summarized below:

- Exemption of Import Duty on machinery and components as approved by the BOI.
- Exemption of Import Duty on raw materials and essential materials used in the manufacturing of export products.
- Exemption of Import Duty on goods imported for re-export.
- Exemption of Corporate income tax for 8 years commencing as from the date of the first earning operating income from manufacture of Steel Billet. The company can carry forward any net loss incurred during the tax - exempt period to be deducted as expenditure from net profit incurred for 5 years commencing from the expiry of the tax - exempt period.
- Exemption of Income tax on dividends during the tax-exempt period.
- Deduction from net profit of 25 percent of the project's infrastructure installation in addition to normal depreciation.

As the Company was granted investment promotional privileges, the Company has to follow the rules and condition indicated in BOI Certificates as mentioned above.

Revenues from sales in the separate financial statements for the years ended 31 December 2016 and 2015 amounting to Baht 1,131.25 million and Baht 988.40 million, respectively, are the results of the operation under privileges granted.

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**32. FAIR VALUES OF FINANCIAL INSTRUMENTS**

As at 31 December 2016, the Group had the following assets and liabilities that were measured at fair value using different levels of inputs as follows:

	(Unit: Million Baht)			
	Consolidated financial statements			
	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>				
Land	-	-	119.3	119.3

**33. FINANCIAL INSTRUMENTS**

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

**33.1 Liquidity risk**

Liquidity risk, or funding risk, is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

**33.2 Exchange rate risk**

The Group is exposed to exchange rate risks because some of purchasing transactions to be paid by foreign currency. The Group mitigates this risk by enter into forward exchange agreement as appropriate.

In order to manage the risks arising from fluctuations in currency exchange rates, the Group makes use of the following derivative financial instrument:

As at 31 December 2015, the Group has forward contract. amount of Yen 2,500 million and has unfavorable forward foreign exchange contracts amounting to Baht 65.95 million (2016:None).

The fair values of forward foreign exchange contracts have been calculated based on rates quoted by the Group's lending bankers at the end of reporting date in the statements of financial position , as if these agreements had been terminated.

As at 31 December 2016 and 2015 the Group of the Company have asset and liability is not secured is.

As at 31 December 2016	Currency	Amount	Baht
Trade Accounts Receivable	YEN	267,699,650	81,523,075
As at 31 December 2015	Currency	Amount	Baht
Trade Accounts Receivable	YEN	684,177,326	204,981,921
Other receivables	YEN	311,434,215	93,306,781

**33.3 Interest rate risk**

The Group was exposed to interest risks because it held deposits to and loans from financial institutions. However, the Group believed that the future fluctuation on market interest rate would not provided significant effect to their operation and cash flow; therefore, the Group no financial derivative was adopted to manage such risks.

### **33.4 Credit risk**

The Group is exposed to credit risks mainly relating to its trade accounts receivable. However, the management has policies to provide adequate allowance for any possible losses that might be incurred in collection of their receivables. The Group estimated the allowance for doubtful accounts from the ending balance of accounts receivable.

### **33.5 Fair value**

The financial assets and liabilities include cash and cash equivalents, trade accounts receivable, loan, trade accounts payable and accrued expenses. Their carried values approximate to their fair values.

## **34. COMMITMENT AND CONTINGENT LIABILITIES**

### **34.1 Operating lease commitments and service agreements**

- 34.1.1 As at 31 December 2016, a subsidiary in Thailand has entered into a Solar Rooftop Power Purchase Agreement with Metropolitan Electricity Authority ("MEA") total capacity of 7 Mwp. kilowatt the agreement term was 25 years.
- 34.1.2 The Company and its subsidiaries had entered into rental agreements shall pay rental and service fee in the future as follows:

	<u>In Baht</u>
	<u>31 December 2016</u>
Rental agreements	25,887,300
Other agreements	11,168,320
Total	<u>37,055,620</u>

### **34.2 Contingent liabilities**

- 34.2.1 As at 31 December 2016, the Company has letters of guarantee issued by bank for the payment of electricity fee amounting to Baht 64.19 million.
- 34.2.2 As at 31 December 2016, a subsidiary has letter of guarantee issued by bank for performance guarantee of another subsidiary in a foreign country to engagement in business amounted of Baht 1,847.70 million (Yen 6,000 million). Fixed deposit was pledge as collateral for issuing such letter of guarantee in full amount.

## **35. CAPITAL MANAGEMENT**

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

As at 31 December 2016, debt to equity ratio in the consolidated financial statements is 8.79 : 1 (Separate financial statements: 3.95 : 1).

**CHOW STEEL INDUSTRIES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**36. EVENT AFTER THE REPORTING PERIOD**

The Company's Board of Directors Meeting held on 24 February 2017 passed the resolutions to approve the increase the registered capital under General Mandate in amount of Baht 240,000,000 at par value of Baht 1 per share, from the current registered capital of Baht 800,000,000 to Baht 1,040,000,000. The newly issued share capital of 240,000,000 shares will be offered to for sale to existing shareholders in the proportion to their shareholdings (Right Offering) not more than 160,000,000 shares and to offer for sale to specific persons (Private Placement) not more than 80,000,000 shares.

**37. LITIGATION**

The company and subsidiary company has filed the law sued againts corporation and individuals as defendents on infrignment of trade secret at Thai and Japanese Court. Later, it has been conceliated with corporation and some defendents until agreed on the settlement agreement and withdraw the case for some defendents from the court in both countries. Meanwhile the defendent has accepted and agreed to proceed the development agreement with Premier Solution co., ltd which is one of the Chowsteel Industry Public Company's subsidiary company for development of Kyotamba Project. In July 2016, the opposite party has remitted the payment according to the development agreement due to the settlement agreement and the company has stated it as the other incomes in the statement of comprehensive income.

**38. RECLASSIFICATIONS**

Certain reclassifications have been made to the consolidated financial statements for the year ended 31 December 2015 to confirm to the classification used in the financial statement for the year ended 31 December 2016

Consolidated financial statements

	Baht		
	Before		After
	Reclassification	Reclassification	Reclassification
<u>Statement of financial position</u>			
Cash and cash equivalents	178,308,991	(76,192,980)	102,116,011
Trade accounts receivable and other receivables	1,197,898,855	(73,108,451)	1,124,790,404
Project costs under development	534,288,150	73,108,451	607,396,601
Restricted deposits at financial institutions	-	67,886,102	67,886,102
Deposits pledged as collateral	1,120,768,883	8,306,878	1,129,075,761
Property, plant and equipment	3,495,075,431	(18,014,366)	3,477,061,065
Other non - current assets	43,709,274	18,014,366	61,723,640
<u>Statement of comprehensive income</u>			
Revenues from sale and services income	2,244,561,896	(73,108,451)	2,171,453,445
Cost of sales and services	2,100,040,949	(73,108,451)	2,026,932,498
<u>Separate financial statements</u>			
Cash and cash equivalents	34,042,073	(8,306,878)	25,735,195
Deposits pledged as collateral	335,250,000	8,306,878	343,556,878

**39. APPROVAL OF FINANCIAL STATEMENTS**

These financial statements were authorized for issue by the Board of Directors on 24 February 2017.