

MELTING

CASTING

HOT STRIP MILL

HOT ROLL COIL

ANNUAL REPORT 2011

GJS

G J STEEL PUBLIC COMPANY LIMITED



Dear Shareholders,

During 2011, global economy was extremely fluctuated due to the European debt crisis, natural disasters in Japan and many countries in South East Asia, as well as flood disaster in Thailand. As a result, the Thai economy was extremely decelerated. Steel industry suffered losses globally. For local steel industry, there are decrease in production due to the deceleration in construction section, and the decrease in domestic demand. An impact of the flood towards year end has caused a rapid decrease in demand to the downstream industry such as automobile and home appliances industries. Therefore, the Company has adjusted its business and production strategies. Such adjustment was reflected in an increase of sales volumes by 5.74% compared to 2010.

With social responsibility and environmental awareness, in 2010, the Company participated in several program with the Ministry of Industry. The Company received two certificates, CSR-DIW and CSR-DPIM for corporate social responsibility and received another two certificates, Green Industry and Green Mining project, for corporate environmental responsibility. The Company continues to focus and participate in such activities and commit to social and environmental responsibilities.

The Company is determined to solve and improve its position and operation. The Board of Directors agree that the Company needs to find a potential investor who can contribute to the success of the Company in becoming the leading steel manufacturer in Thailand and the region as well as maintaining good business governance, social responsibility and environmental awareness.

Finally, I would like to express my sincere gratitude and appreciation to our shareholders, stakeholders, customers, business partners and employees for all your supports and contributions to the Company. The Company commits and strives to maximize benefits for all stakeholders and to build the sustainable growth for the future.

(Mr. Ryuzo Ogino)
Chairman





As we focus on improving
our business performance
and rebuilding for the future,
we will never overlook
our commitment to
the environment.

G J Steel Public Company Limited operates in conjunction with responsibility for society and environment (Corporate Social Responsibility : CSR) . The Company is well aware of responsibility towards good corporate governance, a well managed manufacturing process to ensure no impact to the surrounded community, with campaigns to ensure effective use of resources, to manufacture good products for consumers' demand with friendliness to the environment. The Company's Corporate Social Responsibility (CSR), includes taking good care of staff well-being, welfare and safety at work, as well as developing their knowledge and skills, has always been Company's core policy.

With Social Responsibility and Environmental awareness, The Company, continuously, participate in several programs with Ministry of Industry in 2011. Thus, received renown awards from the government sector as follow :

- Shield and certificate from the Ministry of Industry for the standard of industrial business social responsibilities 2011, CSR-DIW, awarded on 23 September 2011.
- Shield and certificate of global standard of social responsibilities in steel industrial, CSR-DPIM, awarded on 23 December 2011.
- Shield and certificate of Green Mining 2011 for steel industry, awarded on 23 December 2011.
- Certificate to prove that the Company is at level 2 in Green Industry Project. Since 24 August 2011, the Company has successfully managed to reduce the impact to environment as expected.
- Certificate from Department of Alternative Energy Development and Efficiency: Ministry of Energy as an Example of Factory, awarded on 16 September 2011.
- Certificate from Department of Primary Industries and Mines that the Company is the leading in Clean Development Mechanism Project, awarded on 12 September 2011.

The Company remains committed to its intention to support and develop the Company's staff to become part of social responsibility and environmental sustainability.

Patama Leeswadtrakul

(Khunying Patama Leeswadtrakul)
Chief CSR





G J Steel Public Company Limited's Board of Directors has appointed the Audit Committee consisting of three honorable independent directors as follows:

- | | |
|------------------------------------|---------------------------------|
| 1. Assoc. Prof. Niputh Jitprasonk | Chairman of the Audit Committee |
| 2. Assoc. Prof. Sukunya Tantanawat | Member of the Audit Committee |
| 3. Mrs. Arthidtaya Sutatam | Member of the Audit Committee |

The Audit Committee has operated under the scope of duties and responsibilities as assigned by the Board of Directors in conformity with the rules and regulations of the Stock Exchange of Thailand. As well as providing advices on related matters. It has been good cooperation from the management. Therefore, I, Assoc. Prof. Niputh Jitprasonk in my capacity as the Chairman of the Audit Committee, would like to present the 2011 Audit Committee Report as follows.

In the fiscal year ending 31 December 2011, the Company continues to be affected by fluctuations of global economy. The country is, also, faced with the great flood that caused economic slowdown. It has caused an impact on our efforts to solve liquidity problem of the company. The situation has caused the uncertainties over the Company operations, uncertainties on the validity of the assumptions underlying the impairment analysis valuation of Company's property, plant and equipment. As a result, the auditors do not express an opinion on the financial statements for the year 2011. However, the Company continue to resolve liquidity problem through potential investors or financial resources to provide the working capital for the operation. The Company is confident that, with the success of this program, our financial situation will be improved. More over, the Audit Committee has reviewed the internal audit report, summarized all these problems and proposed to the Board of Directors for its further consideration and delegation to the management team, including improved the internal control to international standard and in accordance with the laws and regulations to minimize the damage or potential damage to a minimum or entirely eliminated.

Lastly, the Audit Committee will continue to review and ensure the Company's transparent operation while continue to concentrate on protecting the shareholders' benefit.

(Assoc. Prof. Niputh Jitprasonk)
Chairman of the Audit Committee



FINANCIAL HIGHLIGHTS

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	2011	2010	2009 (restated)
Operating Result (in thousand THB)			
Total Sale	18,607,439	15,158,068	12,314,216
Total Revenue	18,699,175	16,165,309	14,276,093
Cost of Good Sold	17,933,177	14,845,299	17,280,985
Net Profit/(Loss)	(1,292,030)	(3,671,538)	(6,408,211)
Net Profit/(Loss) per Share (in THB)	(0.03)	(0.09)	(0.16)
Financial Status (in thousand THB)			
Total Assets	23,436,293	23,691,660	26,663,821
Total Liabilities	11,201,089	10,214,631	9,665,539
Shareholder's Equity	12,235,204	13,477,029	16,998,281
Book Value per Share (in THB)	0.31	0.34	0.43
Financial Policy Ratios			
Debt Equity Ratio (time)	0.92	0.76	0.57
Interest Coverage Ratio (time)	1.42	1.41	11.29
Dividend Ratio (%)	0	0	0
Profitability Ratios			
Gross Profit/(loss) (%)	3.62	2.06	(40.33)
Net Profit/(loss) (%)	(6.91)	(22.71)	(44.89)
Return on Equity (%)	(10.05)	(24.10)	(31.71)
Efficiency Ratio			
Return on Asset (%)	(5.48)	(13.63)	(22.55)
Fixed Assets Turnover (%)	(6.27)	(12.97)	(23.14)
Assets Turnover (time)	0.79	0.64	0.50



GENERAL INFORMATION OF COMPANY



Company Name	: G J Steel Public Company Limited
Symbol	: GJS
Registration No.	: 0107538000401 (Originally Bor Mor Jor No. 563)
Business Type	: Manufacture of Hot Rolled Coil
Head Office	: 88 PASO Tower, 24 th Floor, Silom Road, Suriyawong, Bangrak, Bangkok 10500 Tel. (66) 0-2267-8222 Fax (66) 0-2267-9048
Factory	: Hemaraj Chonburi Industrial Estate, 358 Moo 6 Highway No. 331, Bowin, Sriracha, Chonburi 20230 Tel. (66) 038-345-950 Fax (66) 038-345-693
Established Date	: 5 January 1994
Registered to be a Public Company Limited	: 9 August 1995
Trading Date	: 2 July 1996
Authorized Capital	: THB 40,478,051,204.94
Paid Up Capital	: THB 27,533,305,754.37
Common Share	: 39,903,341,673 Shares
Par Value	: THB 0.69
Warrant	: GJS-W2: 5,000,000,000 Units
Share Registrar	: Thailand Securities Depository Company Limited 62 The Stock Exchange of Thailand Building, Ratchadapisek Road, Klongtoey, Bangkok 10110 Tel. (66) 0-2229-2800 Fax (66) 0-2359-1262-3
Auditor	: Mr. Nirand Lilamethwat Certified Public Accountant Registration No. 2316 KPMG Phoomchai Audit Limited. 48 th Floor, Empire Tower, 195 South Sathorn Road, Yannawa, Sathorn, Bangkok 10120 Tel. (66) 0-2677-2000 Fax (66) 0-2677-2222





G J Steel Public Company Limited (the “Company”) is primarily engaged in the manufacturing of hot rolled steel and other related products which can be categorized into 3 main categories as follows:

- 1) Hot Rolled Coil
- 2) Tempered Hot Rolled Coil
- 3) Pickled and Oiled Product

The abovementioned products can be used for the following downstream industries:

Products	Applications
Hot Rolled Coil	Engine tube, Electrical tube, Water pipe, Construction, C Channel, Platform scaffolding, Power pole, Gas cylinder, Black steel pipe, Atmospheric corrosion resistance products, Cold rolled steel sheet
Tempered Hot Rolled Coil	Agricultural tools, General construction, Structural steel sheet
Pickled & Oiled Product	Chassis, Car wheel, Compressor, Refrigerator structure, Microwave structure

The main potential customers of the Company such as Steel Service Center will cut the hot rolled coils into different sizes and for further process as required by their customers.

MAJOR EVENTS AND DEVELOPMENTS

2011

- January** On 30 December 2010, GJS-W2, in the amount of 66,941,711 units, were exercised at the exercise ratio of 1 unit of GJS-W2 per 3 ordinary shares at the exercise price of THB 0.25 per share totaling THB 50,206,283.25, as a result, the Company's paid-up capital has increased by THB 138,569,341.77 whereby the Company registered such capital increase with the Department of the Business Development, the Ministry of Commerce on 11 January 2011.
- March** On 1 March 2011, the Board of Directors Meeting passed a resolution to increase the Company's registered capital by issuing 21,854,166,667 newly issued ordinary shares with the par value of sixty-nine satang per share to G Steel Public Company Limited and Oriental Access Co., Ltd. And a resolution to approve the connected transaction between the Company and the major shareholders of the Company and between the Company and ArcelorMittal Netherlands B.V. and a resolution to approve the amendment of the Articles of Association and the amendment of some conditions of the BOI certificates and a resolution to propose these matters to the meeting of shareholders for further consideration and approval.
- November** GJS-W1 was terminated from the Stock Exchange of Thailand since 1 November 2011.
- December** GSTEEL received a notice of termination of the Share Subscription Agreement, from AM, dated 15 December 2011, and the Company has agreed to the termination of the Share Subscription Agreement by AM in accordance with the terms and conditions of the investment under the Share Subscription Agreement. In addition, the Company will propose the matter of the termination of the Share

Subscription Agreement to the Board of Directors Meeting for acknowledgement. The Company will also consider revoking the resolution of the Extraordinary General Meeting of Shareholders No. 1/2011 dated 15 August 2011 approving the matters relating to the entry into transactions with AM, including the increase of the Company's registered capital and allocation of newly issued shares to GSTEEL and Oriental Access, the amendment to the Company's Articles of Association, the amendment the conditions stated in the BOI certificates of the Company, and the entry into the Credit Facility Agreement and the Business Assistance Agreement between GSTEEL, the Company and AM which will be made at the Annual General Meeting of Shareholders in April 2012.

REVENUE STRUCTURE

Due to an improvement of steel market over the year 2011, the Company's sales volume and selling price have increased by THB 3,449 million or equivalent to 23%

	2011		2010		2009 (restated)	
	THB Million	%	THB Million	%	THB Million	%
Sales						
Hot Roll Coil (HRC)	18,063.39	96.60	14,091.75	87.17	10,985.03	77.09
Recoil Temper Mill (RTM)	303.55	1.62	962.25	5.95	982.16	6.89
Slab	-	-	-	-	0.99	0.01
Cut Sheet	-	-	0.19	0.00	36.02	0.25
Raw material & iron unit	240.50	1.29	103.87	0.64	310.00	2.18
Interest Income	2.65	0.01	2.17	0.01	2.98	0.02
Other Income						
Gain on foreign exchange	-	-	571.69	3.54	87.82	0.62
Reversal of devaluation of inventories	-	-	-	-	1,736.77	12.16
Reversal of provision for loss on confirmed purchase orders for undelivered raw material	-	-	128.02	0.79	-	-
Reversal of bad and doubtful debts expense	20.22	0.11	275.75	1.71	-	-
Other income	68.87	0.37	29.61	0.18	135.30	0.95

BUSINESS OBJECTIVES

We expect to see the economic improvement in year 2012 for both market demand and price, together with the good support from the government, the Company plans to run full production on 24 hours basis to maximize the production capacity and reduce the production cost according to the economy of scale. We will then catch up with the market and supply demand which is continuously increasing as Thai economy starts to recover, while the Company can gain the profit from this production strategy. However, the Company requires substantial working capital which is a critical and the process of obtaining such resources.





RISK FACTORS

1. RISKS ASSOCIATED WITH FLUCTUATION OF RAW MATERIALS' PRICING

Scrap and Pig Iron are major raw materials for the Company's production whereby if any increase in their prices will highly affect Company's profitability unless the Company can effectively adjust the price of its finished products accordingly. This also impact the financial status of the Company as the Company will be required to record the provision for loss on the devaluation of inventories at the end of financial period.

The Company, however, is following up closely on the changes of the raw materials' prices so as to reduce such risk. The Company will also forecast and determine its appropriate purchasing and production plan to reduce this risk. In general, the price of Scrap and Pig Iron will changed in accordance with the demand of Hot Rolled Coil, therefore, if demand of Hot Rolled Coil changed, the price of Scrap and Pig Iron will also changed accordingly, to such extent, the differences between the price of Hot Rolled Coil and the price of the raw materials will fluctuated in according way.

2. RISKS ASSOCIATED WITH LACK OF WORKING CAPITAL

The Company recorded its operation loss for the year ending 31 December 2011 and 2010 in the amount of THB 1,292 million and THB 3,672 million, respectively. As at 31 December 2010, the Company's net current liabilities exceeded its net current assets by THB 8,582 million and THB 7,290 million, respectively. The Company had several significant trade payable which had overdue payment, as a result, the Company requires generating sufficient operating cash flows to meet its working capital requirements and all operating obligations.

In order to generate sufficient operating cash flows, on 2 March 2011, ArcelorMittal Netherlands B.V. ("AM") announced the execution of agreement to invest in newly issued share of G Steel, as a result, AM will be holding 40% of shareholding percentage in G Steel, and execution of credit facility agreement with the Company and G Steel for USD 500 million for working capital, capital expenditure and other purpose. Consequent to this investment, G Steel will increase its equity holding in the Company from 44% to 63% on a consolidated basis through a debt to equity conversion and subscription for new equity. If this transation is complete, the Company will have sufficient working capital.

On 19 December 2011, G Steel received a notice of termination of the Share Subscription Agreement from AM, dated 15 December 2011, and G Steel has agreed to the termination of the Share Subscription Agreement by AM in accordance with the terms and conditions of the investment under the Share Subscription Agreement. However, the Company is taking steps to search new investors, seeking new working capital and new loan financing from financial institutions include trade creditors restructuring negotiation and all process is expected to complete soon. The Company believes that, when all process is completed, the financial situation will be improved.

3. RISK ASSOCIATED WITH POLITICAL SITUATION

Due to the political situation is stable more than last year, consumer may increase order; this factor is an advantage to the Company.



4. RISKS ASSOCIATED WITH FLUCTUATION OF FOREIGN EXCHANGE RATE

Due to the Company is heavily depending on the importation of raw materials together with the Company, the Company has to deal with many transactions in various currency at all time. As a result, the fluctuation of the currency exchange has become one of the risk factors of the Company. In 2011, the Company imported the raw materials equivalent to 68% of the total cost of production. Therefore, the risks associated with the fluctuation of foreign exchange rate will be deemed as one of the most significant factors to the Company's operation as can be clearly seen in the 2011 Statement of Incomes whereby the Company has recorded both realized and unrealized loss on exchange rate in amount of THB 290 million. In order to reduce such risks, if the Company have new investor then the credit line for risk protection will occur and the Company can apply to many risk protection method.

5. RISKS ASSOCIATED WITH GOVERNMENT POLICY

1. Free Trade Agreement

With the government's policy to enter the Free Trade Agreement with the other countries for trade promoting either bilateral or multi-lateral Scheme such as ASEAN FTA, Japan Thai Economic Partnership Agreement (JTEPA), ASEAN-China FTA, ASEAN-Korea FTA, etc. whereby Hot Roll Coil import duty will be reduce to 0% for some FTA (ie AFTA, JTEPA). Therefore, this reduction will increase the importation of Hot Rolled Coil and will directly impact the company's market share and other domestic manufacturers.

Nonetheless, due to Company's high production capability, efficient cost saving policy and product value added development together with the investment by G Steel Public Company Limited, the Company will be able to strengthen its competitiveness. Therefore, with fair trade business and no dumping, the company can ensure the competitiveness with the import product.

2. Anti-Dumping policy

With today's borderless communications, trading can be conveniently performed together with access to customers and sourcing of supplies. On the other hand, trade competition becomes much stronger, particularly, with respect to Hot Rolled Coil Industry which is a fundamental product for countries' development. As pressure in competition increased, manufacturers are struggling for its survival, thus tends to engage in market dumping (export its product at lower price than those offer domestically) whether with intention or without. This in general will impact market mechanism, especially the pricing and will create an unfair trade competition. Therefore, the anti-dumping policy can be a useful device to create the fair trade competition. In Thailand, the government by Ministry of Commerce decided to continue the preventive tax policy to oppose the anti-dumping of Hot Rolled Coil originated from 14 countries for the next 5 years effective from May 2009 and also starting oppose the anti-dumping of Hot Rolled Coil originated from China and Malaysia for the next 5 years effective from the recent August 2011. This will help reducing the fluctuation in prices resulted from the market dumping relating to the said countries. However, the market dumping may continue to exist from other countries. Therefore, the Company together with other domestic steel manufacturers is closely monitoring this potential market dumping in order to prevent the new emerging of any unfair trade in Thailand. In addition, the Company together with other domestic steel manufacturers is requesting the government to apply an industrial



standard to importing products in the same way as domestic products because such importing products are considered as sub-standard which can be sold at substantial lower price. In order to reduce the aforementioned risks, the Company is continuously developing modern production technology and improving other system to decrease other cost whereby with the investment by G Steel Public Company Limited, the Company will be able to strengthen its competitiveness.

3. Risk associated with environment

Due to the current trend toward global warming, more concerns in relation to the environment issue have emerged and responded to the reduction of the emission of greenhouse gas are being discussed worldwide. The government also focused on formulating a policy on environmental management with a view to put in place the environmental taxation or so-called green tax. However, with the Company's modern production technology, designed to utilize energy efficiently through the process of recycling of scrap, the Company consume less natural resources compare to those of other steel manufacturer together with operating its production facility at much lower energy consumption. Furthermore, in order to effectively manage the environment issue, the Company will keep a close update on environmental news and information, so the Company can realize impact on this environment issue at the early stage and seek appropriate measures to prevent any environment problem. The company also joins the energy saving program with the Ministry of Energy in order to maximize the energy consumption saving efficiency to ensure the production is able to optimize the emission of greenhouse gas at low level to take good care the environment.





SHAREHOLDERS

As of 17 June 2011, the top ten of major shareholders of the Company are as follows:

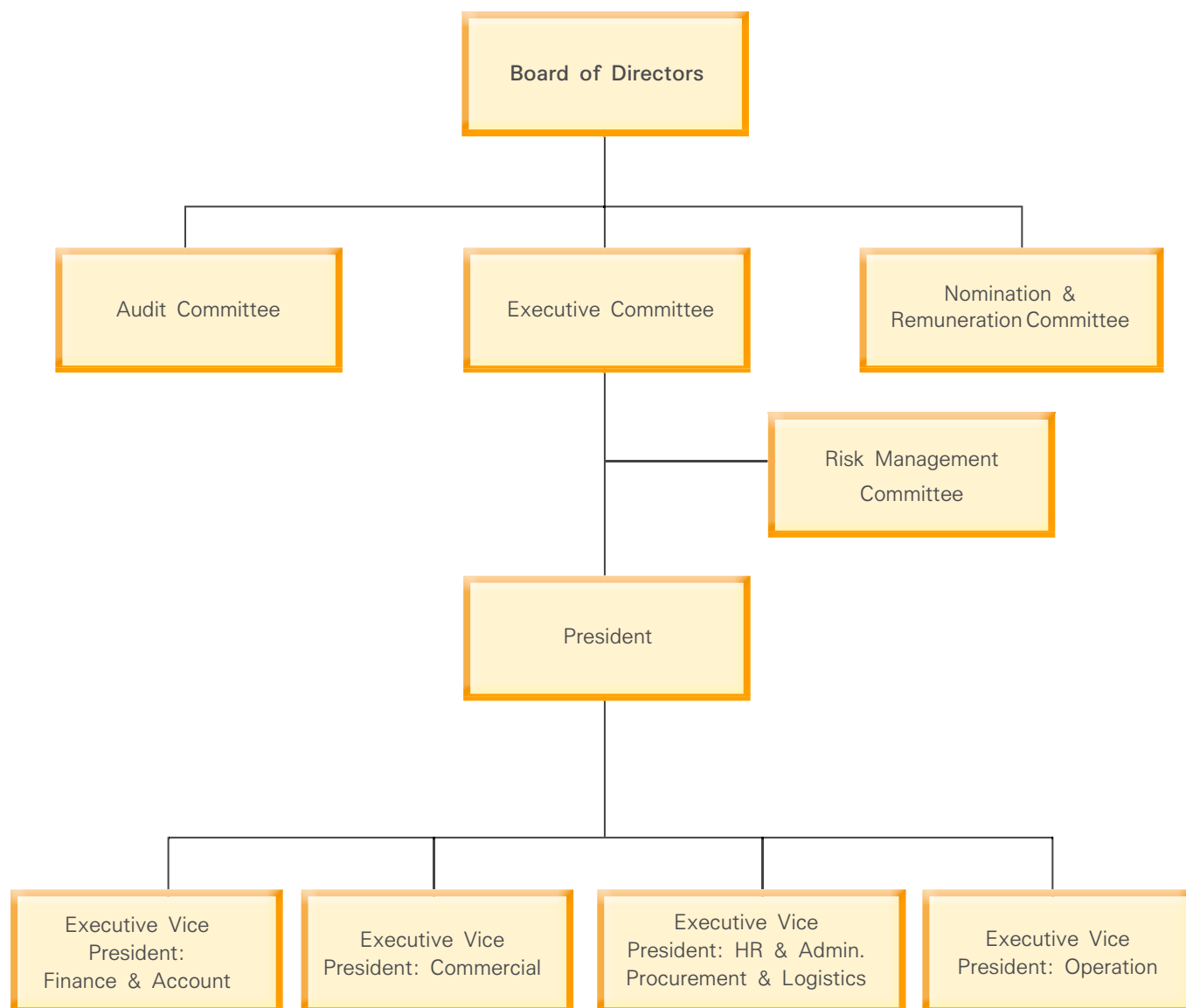
No.	Name	No. of Shares	% of Paid-up Capital
1	G Steel Public Company Limited	8,911,266,071	22.33
2	Oriental Access Company Limited	8,606,434,586	21.57
3	Nomura Singapore Limited-Customer Segregated Account	4,072,224,150	10.21
4	Thai NVDR Company Limited	2,346,947,225	5.88
5	Quam Securities Company Limited A/C client	1,534,299,666	3.85
6	Mrs. Sunee Triyangkoolsri	528,191,100	1.32
7	HSBC Private Bank (SUISSE) SA	487,529,700	1.22
8	Mr. Sarawut Leelasornchai	347,508,300	0.87
9	Miss Kullawadee Treekrutpant	342,533,334	0.86
10	Mr. Apirom Panyapol	329,000,000	0.82
	Other shareholders	12,397,407,541	31.07
Total		39,903,341,673	100.00

Source: Thailand Securities Depository Company Limited (TSD)



MANAGEMENT

Management Structure



The Company's management structure as of 31 December 2011 comprises: Board of Directors and 4 subcommittees; that are Executive Committee, Audit Committee, Nomination and Remuneration Committee and Risk Management Committee.

The respective roles and responsibilities are summed up as follows:

1. Board of Directors

The Board of Directors has 9 members comprises of 6 Executive Committees and 3 Independent Directors as follows.

No.	Name/Representatives		Position
1.	Mr. Ryuzo	Ogino ^{*1}	Chairman
2.	Dr. Somsak	Leeswadtrakul	Vice Chairman
3.	Assoc. Prof. Niputh	Jitprasonk	Independent Director
4.	Mrs. Arthidtaya	Sutatam	Independent Director
5.	Assoc. Prof. Sukunya	Tantanawat	Independent Director
6.	Mr. Chanathip	Trivuth	Director
7.	Mr. Isra	Akrapitak	Director
8.	Mr. Sittichai	Leeswadtrakul	Director
9.	Mr. Sittisak	Leeswadtrakul	Director

Remark: *1. Mr. Ryuzo Ogino has appointed to be Chairman instead of Mr. Nibhat Bhukkanasut as the resolutions of Board of Directors Meeting No. 12/2011 on 22 December 2011. Mr. Nibhat Bhukkanasut has resigned from the position of Chairman and Independent Director of the Company effective as of 11 November 2011.

Authorised Director : Mr. Chanathip Trivuth or Mr. Isra Akrapitak or Mr. Sittichai Leeswadtrakul, two of these three directors can together sign a document with the Company's seal affixed

Company Secretary : Ms. Pannee Tanaprateepkul

Scope of Duties and Authority of the Board of Directors

The Board of Directors have the power and authority to manage the company's business in compliance with the objectives, Articles of Association and resolutions of the shareholders' meeting. The Board of Directors is not entitled to approve or consider making any decision in the following matters without the approval by majority of the total number of vote of the directors at a board meeting:

1. Any enquiry investment in any other enquiry or many purchases of assets of any other entity other;
2. Entry into any joint venture, partnership or other transactions with any person with an aim to share profit and loss;
3. Any acquisition, disposition, assignment, transfer, licensing or sublicensing of any know-how, trademarks, trade names, trade secrets or similar intellectual property rights of any person other than in the ordinary course of business;
4. Approval of annual budget and expense;
5. Approval of construction of any new steel mill;
6. Borrowing money for purposes other than as working capital in amount not exceeding one hundred million dollars (US\$ 100,000,000) (or the Baht equivalent thereof);



7. Execution of any contract other than those contracts of less than one year's duration or arising in the normal course of business: and
8. Enforcement of right against the concerned persons under the Management Agreement and the Management Advisory and Technical Assistance Agreement.

The Board of Directors also has the authority to delegate to the Executive Committee or the President the power and authority to perform various activities under the established budgets, provided that such delegation does not involve the approval of any transaction in which there is a conflict of interest between the Company and the Company subsidiaries (as per those specified under the Company's Articles of Association and the Securities and Exchange Commission ("SEC")), except where such transactions are approved in accordance with the policies and criteria as specified by the Board of Directors in the ordinary course of company business, such as purchase of raw materials and connected transactions with related companies.

2. The Executive Committee

No.	Name/Representatives	Position
1. Mr. Chanathip	Trivuth	Chairman of Executive Committee
2. Dr. Somsak	Leeswadtrakul	Member of Executive Committee
3. Mr. Sittichai	Leeswadtrakul	Member of Executive Committee
4. Mr. Isra	Akrapitak	Member of Executive Committee

Scope of Duties and Authority of the Executive Committee

1. To review policies, business plan, investment plan and annual budget plan to present to the Board of Directors for approval.
2. To monitor, Supervise and control the execution of plans to achieve the preset goals earlier approved by the Board of Directors or as assigned. The committee is also responsible for reporting the Company's performance to the Board of Directors meeting for acknowledgement.
3. To approve any execution or payment which is exceed an authority or authorized amount or the executive in accordance with the Company's authorization regulations or annual budget previously approved by the Board of Directors.
4. To consider the organizational structure, management authority, remuneration policy, and salary structure.
5. To consider authorization of managerial and operational levels which covers finance, accounting, procurement, investment, borrowings, mortgage, collaterals, assets transfer, and entering into any contract or agreement as well as other operations as deemed appropriate.
6. To assign any person or persons to act on behalf of the Executive Committee as deemed appropriate. The authorization can be revoked, changed or mended.
7. To consider and approve to open different bank accounts with commercial bank as deemed appropriate and assign persons to authorize withdrawal or payment from such bank accounts.



8. To undertake other tasks as assigned by the Board of Directors.

The authorization of the Executive Committee mentioned above does not include authorizations that enable the Executive Committee to approve any transactional items that any executive director has conflict of interest as per the announcement of SEC or with the Company or its affiliates. The Executive Committee shall propose such matters to the Board of Directors and/or the shareholders' meeting for consideration and approval under related regulation, announcements or law.

3. The Audit Committee

No.	Name/Representatives		Position
1.	Assoc. Prof. Niputh	Jitprasonk ^{*1}	Chairman of Audit Committee
2.	Mrs. Arthidtaya	Sutatam	Member of Audit Committee
3.	Assoc. Prof. Sukunya	Tantanawat	Member of Audit Committee

Remark : ^{*1}Assoc. Prof. Niputh Jitprasonk is skill and experience in verify financial statement.

Scope of Duties and Authority of the Audit Committee

1. To review and ensure the Company has accurate and sufficient financial report.
2. To review and ensure the Company has appropriate and effective internal control and internal audit system, also, consider the independence of internal control and internal audit unit, give consent on appointing, rotating, and discharge of the chief of such unit or others responsible for internal audit.
3. To review and ensure the Company's operation complies with the laws on securities and stock exchange, regulations of the Stock Exchange of Thailand ("SET") or laws related to the Company's business.
4. To consider, select and propose the nomination of independent persons to perform as the Company's external auditors and their remuneration, and to attend the meeting with the external auditors without the Management at least once a year.
5. To consider any related transaction with possible conflict of interest to be compliance to the law and SET regulations, in order to ensure that such transactions are reasonable and for the best benefit of the Company.
6. To prepare the report of the Audit Committee to be published in the Company's annual report. The Audit Committee's report shall be signed by the committee's chairman and consist of at least the following information:
 - (a) Notes on the preparation procedures and information discloser in the Company's financial report in relations to accuracy, sufficiency and reliability.
 - (b) Notes on the sufficiency of internal control system.
 - (c) Opinion on compliance with law related to securities and the stock exchange, the SET regulations or other laws related to the Company's business.
 - (d) Opinion on the suitability of external auditors.



- (e) Opinion on transaction with possible conflict of interest.
 - (f) The number of audit committee meetings and the attendance of each member.
 - (g) Overall opinion and notes that the Audit Committee receives from performing complying with the laws.
 - (h) Any other reports that shareholders and investors should be informed under the scope of responsibilities assigned by the Board of Directors.
7. To carry out any other tasks assigned by the Board of Directors and has resolution of the Audit Committee.
 8. The Audit Committee has responsibilities to the Board of Directors by their duty and shall report to it the performance, including recommendations and findings at least twice a year.

In any case where any Audit Committee member of parties with possible conflict of interest with the company or its affiliates, the acquisition or sale of assets of listed companies and connected transactions (if any), as per announcements of SEC and/or SET, The Audit Committee shall report the matter or the Board of Directors and/or the shareholder's meeting for consideration and approval in compliance with related law and regulations.

4. The Nomination and Remuneration Committee

No.	Name/Representatives	Position
1.	Assoc. Prof. Sukunya Tantanawat	Chairman of Nomination and Remuneration Committee
2.	Mrs. Arthidaya Sutatam	Member of Nomination and Remuneration Committee
3.	Mr. Chanathip Trivuth	Member of Nomination and Remuneration Committee

Scope of Duties and Authority of the Nomination Committee

1. To formulate criteria and policy in nominating directors, members of different committees and the President.
2. To consider and nominate appropriate persons to be appointed as directors, and members of different committees as well as the President for approval by the Board of Directors and/or Shareholders' Meeting.
3. To report to the Board of Directors the results of the Nomination Committee meetings or other matters that the Board of Directors should be informed.
4. To perform any tasks assigned by the Board of Directors.

Scope of Duties and Authority of the Remuneration Committee

1. To stipulate all the rules and policies on remunerations for the Board of Directors, Committee, and President for the approval by the Board of Directors and/or, as the case may be, the shareholders' meeting.
2. To set necessary and appropriate annual remunerations for the Board of Directors, Committee, and President.



3. To report to the Board of Directors the Remuneration Committee's meeting results or other matters the Board of Directors should be informed.
4. To perform any tasks assigned by the Board of Directors.

5. Risk Management Committee

No.	Name/Representatives	Position
1.	Assoc. Prof. Sukunya Tantanawat	Chairman of Risk Management Committee
2.	Mr. Sittichai Leeswadtrakul	Member of Risk Management Committee
3.	Mr. Chanathip Trivuth	Member of Risk Management Committee
4.	Ms. Pannee Tanaprateepkul	Member of Risk Management Committee
5.	Mr. Chaimongkol Boonchanaphun	Member of Risk Management Committee
6.	Mr. Wasan Chitsuk	Member of Risk Management Committee
7.	Mr. Tanongsak Bhumina	Member of Risk Management Committee
8.	Mr. Sathaporn Varongchayakul	Member of Risk Management Committee
9.	Mr. Surapong Tanapongpitaya	Member of Risk Management Committee
10.	Ms. Jurai Chailertdilokkul	Member of Risk Management Committee
11.	Mr. Isra Akrapitak	Member of Risk Management Committee
12.	Mrs. Kwanjai Kasamlonnappa	Member of Risk Management Committee
13.	Mr. Kittinai Pora	Member of Risk Management Committee
14.	Mr. Pasakorn Pongsangiam	Member of Risk Management Committee
15.	Mr. Sirichai Kraichoke	Member of Risk Management Committee and Secretary
16.	Asst. Prof. Dr. Narumon Saardchom	Consultant

Scope of Duties and Authority of Risk Management Committee

1. To set risk management policy that can be applied to all operations.
2. To follow up and control the operation to achieve the aim of the risk plan management.
3. To review the moderation of policy and the management system include the system performance and follow the defining policy.
4. To report to the Internal Audit Committee constantly the progress of risk in order to correspond with the policy and the procedure risk management.

6. Management Team

No.	Name	Position
1.	Mr. Chanathip Trivuth	President
2.	Mr. Isra Akrapitak	Executive Vice President: Finance & Account
3.	Ms. Pannee Tanaprateepkul	Executive Vice President: HR & Admin, Procurement & Logistics
4.	Mr. Santi Kittikote	Executive Vice President: Operation
5.	Mr. Sittisak Leeswadtrakul	Executive Vice President: Commercial

Scope of Duties and Authority of the Management Team

1. To formulate business plan, investment plan, and annual budget plan for approval by the Executive Committee and/or the Board of Directors.
2. To be responsible for the overall management and to deliberate all the Company's policies to achieve the present objective and within the policy, business plan and budget plan approved by the Board of Director.
3. To approve an execution or payment according to the Company's authorization regulations of annual budget approved by the Board of Directors.
4. To recruit, hire, transfer, reshuffle, suspend or terminate employment of any executives or employees and to stipulate scope of roles and responsibilities and appropriate remuneration. An execution of position equivalent to Senior Vice President of higher shall be reported to the Board of Directors, while an execution of positions equivalent to the Internal Audit Department executive shall be made with the Audit Committee's consideration.
5. To appoint respective authorized persons to sign the Company's document in the areas of accounting, finance, purchase, production, sale and general management, as well as other important document.
6. To set, change, revise or cancel any rules, regulations, order, announcement, punishment measures and internal control systems for use as guideline for all employees and to enable the internal management is executed as per the Company's policies.
7. To appoint advisors in various respects significant to the operations for the best benefits of the Company. The CEO is empowered to appoint attorney(s) to file lawsuit or defend case related to the Company.
8. To assign person(s) to perform task on his/her behalf as deemed appropriate. Such authorization can be terminated, changed or modified.
9. To report the Company's performance, progress of any projects and financial status to the Executive Committee and the Board of Directors.
10. To perform other works assigned by the Executive Committee or the Board of Directors.

In case that the CEO or other persons with possible conflict of interest may have conflict of interest, the CEO shall have no right to approve such matter.



2. SELECTION OF DIRECTORS AND MANAGEMENT

(1) The selection of the Directors and Management

When the positions of Company's directors and President are vacant, the Nomination Committee are responsible for selecting and nominating the persons to take these positions. The Nomination Committee shall consider person with knowledge, capability, experience and required specialization that are crucial to the Company's operation.

(2) The nomination of directors (at the end of terms as required by law)

The selection of a Board of Directors member to replace director who must retire at the end of his/her term shall be approved by the Annual General Shareholders' Meeting. Criteria and selection method are as follows:

1. A shareholder shall have one vote per one share.
2. Each shareholder shall exercise all his/her voting right as mentioned above in selecting one or many persons as directors but cannot separate votes for any person(s) according to Clause 70, Section 1 of the Public Limited Company Act.
3. The persons receiving the highest votes will be selected as directors. The number of persons selected shall be equal to the number of directors to be selected. In case there are persons with the highest votes more than the number of directors required, the meeting chairman shall have the right to make decision.



3. REMUNERATION FOR THE DIRECTORS AND MANAGEMENT TEAM

Remuneration for the Directors and Management Team

Remuneration

1. Remuneration for Director for the year 2011

No.	Name	Position	Monthly Remuneration	Remuneration of Board of Directors	Remuneration of Audit Committee	Total
1.	Mr. Nibhat Bhukkanasut ^{*1}	Chairman & Independent Director	1,100,000	45,000	-	1,145,000
2.	Dr. Somsak Leeswadtrakul	Vice Chairman	-	-	-	-
3.	Assoc. Prof. Niputh Jitprasonk	Independent Director & Chairman of Audit Committee	720,000	55,000	40,000	815,000
4.	Mrs. Arthidaya Sutatam	Independent Director & Member of Audit Committee	120,000	10,000	15,000	145,000
5.	Assoc. Prof. Sukunya Tantanawat	Independent Director & Member of Audit Committee	120,000	60,000	40,000	220,000
6.	Mr. Chanathip Trivuth	Director	-	-	-	-
7.	Mr. Sittichai Leeswadtrakul	Director	-	55,000	-	55,000
8.	Mr. Isra Akrapitak	Director	-	-	-	-
9.	Mr. Ryuzo Ogino ^{*2}	Director, Chairman	-	-	-	-
10.	Mr. Sittisak Leeswadtrakul	Director	-	-	-	-
Total			2,060,000	225,000	95,000	2,380,000

Remark : *1. Mr. Nibhat Bhukkanasut has resigned from the position of Chairman and Independent Director of the Company effective as of 11 November 2011.

*2. Mr. Ryuzo Ogino has appointed to be Chairman instead of Mr. Nibhat Bhukkanasut as the resolutions of Board of Directors Meeting No. 12/2011 on 22 December 2011.

2. Remuneration for the Management team for the year 2011 was amounting to THB 33 million.

Others Remuneration

On 11 December 2008, the Company was authorized to issue and offer ESOP warrants amount of 727,536,398 units to the Company's directors and employees in recognition of the directors and employees' contribution to the Company as well as motivation to work for the Company in the long run. The details are as follows:



Nature	Warrants to purchase ordinary share of G J Steel Public Company Limited (“Warrants” or “GJS-ESOP)
Type of Warrants	Specified and Non-Transferrable Warrants to purchase ordinary share of the Company, except transfer by intermediary person, or as otherwise specified by the Board of Directors or the Allocation Committee (Intermediary Person is the person who holds the said securities for distributing to all future directors and employees)
Number of Warrants	727,536,398 units
Number of Shares Issued to Support Warrants	727,536,398 shares
Offering Method	Offering to directors and employees of the Company and the intermediary person (Intermediary Person shall mean Chief Financial Officer or Vice President-Finance, Vice President-Accounting
Offering Price	THB 0 (Zero) per unit
Terms of Warrants	5 year
Issuing Date	11 December 2008
Exercise Ratio	1 warrant : 1 ordinary share
Exercise Price	Par Value at exercise date
Exercise Date	Last business day of December of each year throughout the terms if warrants whereby the first exercise date shall be 30 December 2011 and the last exercise date will fall on 10 December 2013. In case of the exercise date shall fall on the Company’s annual holiday, the exercise date shall be moved up to the earlier business day of the Company. The last exercise notice shall be lodged by the warrant holders at least 15 days prior to such exercise date.
Exercise Period and Ratio (percentage of total distribution)	<p>First 20% shall be exercisable on the first exercise date which fall on the last business day of December 2011</p> <p>Second 30% shall be exercisable on the second exercise date which fall on the last business day of December 2012</p> <p>Third 50% shall be exercisable on the last exercise date which falls on 10 December 2013. In case of the exercise date shall fall on the Company’s annual holiday, the exercise date shall be moved up to the earlier business day of the Company. The last exercise notice shall be lodged by the warrant holders at least 15 days prior to such exercise date.</p> <p>In case of the warrant holders does not exercise or partly exercise their right on each exercise date, such warrant holders can exercise their remaining warrant on the next exercise date throughout the terms of the warrants.</p>
Registrar	G J Steel Public Company Limited



4. CORPORATE GOVERNANCE

After the termination of the business reorganization on 2 March 2009, the company intends to operate the business under the Good Corporate Governance by implementing the Principle of Good Corporate Governance and SET's regulation as the guideline of the company's business operation in order to enhance the efficient management system that can be categorized as follow;

Part 1: Shareholder's Right

The Company's Board of Directors arranges for an annual general meeting of shareholders within four months following the end of the fiscal year. In case there are any special issues affecting or involving with shareholder's privilege or any regulations and transactions required shareholder's approval, the company will arrange the extraordinary general meeting.

For year 2011, the Annual General Meeting of the Shareholders was held on 27 April 2011 at the Arnoma Grand Room, 3rd Floor Arnoma Hotel, No. 99 Ratchadamri Road, Pathumwan, Bangkok that all members of the Board of Directors attended both of meetings and the Extraordinary General Meeting of the Shareholders was held on 15 August 2011 at the Arnoma Grand Room, 3rd Floor Arnoma Hotel, No. 99 Ratchadamri Road, Pathumwan, Bangkok that all members of the Board of Directors attended both of meetings . In each Shareholder Meeting, the outside Auditor and the legal counsel will be invited for observation the transparency of the meeting and the vote. The chairman of the Board of Directors was the moderator proceeds with the meeting's agendas that the resolution and the voting result were reported for each agenda. For every Shareholders Meeting, the publication of the meeting notice is made in a daily Thai newspaper for three consecutive days prior to the meeting not less than 3 days. And the meeting invitation and the meeting documents were delivered to the shareholders prior to the meeting not less than 7 days in order to provided sufficient time for the shareholders to study the adequate information related to the matters for consideration in the meeting. The Board of Directors has preparation to give the information and clarify the shareholders' questions without any negligence. After the Shareholders Meeting, the minutes will be sent to SET within 14 days which is in compliance with the regulations of SEC and SET.

Part 2: Equitable Treatment of Shareholders

The Board of Director respected the equitable treatment of shareholders. All shareholders will be invited to attend the Shareholder Meeting. Thailand Securities Depository Co., Ltd., the company's registrar, has responsibility to send the meeting invitation and the meeting document to the shareholders prior to the meeting not less than 7 days. The additional issue in the agenda or change any significant information without advance notice did not be considered to the Board of Director. In case the shareholders did not available to attend the meeting, the company encouraged the shareholders to use the power of attorney by providing the Power of Attorney From A (general), From B and From C (only for custodian) and Shareholders are able to assign proxy to 2 independent directors to attend the meeting and vote on behalf of the shareholders. The company also encouraged the shareholders to use their voting rights by providing and distributing voting ballots while registration before meeting. Voting ballots were provided for each issue of the agenda. In addition, the shareholders who assign proxy are able to use their voting right directly by voting in the Power of Attorney Form B and Form C.



Part 3: Role of Stakeholders

The company recognized and respected to all stakeholders' rights that might consist of major and minor shareholder, employee, customers, creditors and also including the community around factory by processing through the company's policy such as the Shareholders Meeting arrangement, the adequate employee welfare determination, willing to receive the complaint from customer and community around factory, give the knowledge for environmental treatment to the community around factory, signed the agreement or contract for trading with customers or vendors and suppliers and continuously make the relationship with all stakeholders.

Part 4: Information Disclosure and Transparency

The company recognizes a responsibility of information disclosure with accuracy adequacy transparency and audit ability to ensure that the information given out is meaningful to decision making of investors. The company's information will be provided both in Thai and English version disseminated through the online system of the Stock Exchange of Thailand. The information disclosure will be strictly follows the regulations required by the Office of the Securities and Exchange Commission ("SEC"), the Stock Exchange of Thailand, and other concerned authorities. The company always updates any regulations change to ensure the correct acting with those regulations and to create the confidence among the investors.

Part 5: The Responsibilities of the Board of Directors

1. Structure of the Board of Directors

The Board of Directors has 9 members and comprises 6 Directors and 3 Independent Directors as described in the Company's management structure.

2. Independent Directors have specifications as follows

1. Hold not exceeding 1.0% of the total voting shares of the Company, its subsidiaries, affiliates, or juristic person with possible conflict of interest, including the shares held by their related persons.
2. Neither involving in management, non controlling nor being authorized signatory person, nor being the Company's executive/employees, salaried consultant, competent authorized person to control the Company, its subsidiaries, affiliates or other juristic person with possible conflict of interest and nor having such interests or stakes for at least 24 months.
3. Not having lineage, marriage, or legally registered relationship such as father, mother, spouse, sibling, and child, including spouse of the child, to executives, major shareholders, controlling person, or persons to be nominated as executive or controlling person of the Company or its subsidiary, and be independent from major shareholders, executives and controlling.
4. Neither having a business relationship with the Company, its subsidiaries, affiliates, or juristic person with possible conflict of interest which make him/her incapable in expressing independent opinions nor being appointed as a representative of major shareholders, the Company's directors or executives of the person who has the business relation with the Company, its subsidiaries, affiliates, or juristic person with possible conflict of interest and nor having such interests or stakes for at least 24 months.



5. Not being the auditor of the Company, parent company, subsidiary, associates or juristic persons which may have conflict of interest, including being major shareholder, non-executive director, executive or partner of the audit firm of the auditor of the Company, parent company, subsidiaries, associates or juristic persons which may have conflict of interest, and not having such relationship for at least 24 months before an appointment.
6. Not being professional advisors, including legal advisor or financial advisor which receives remuneration in excess of Baht 2 million per year from the Company, parent company, subsidiary, associate or juristic person which may have conflict of interest. In the case that the professional advisor is a juristic person, the prohibition shall include the major shareholder, non-executive director, executive or partner of such advisor, and not having been in such relationship for at least 24 months before an appointment.
7. Not being a representative director of director, the major shareholder or shareholder which relates to the major shareholder of the Company.
8. Neither running the business which is similar to or compete with the Company, its subsidiaries or shareholders nor being executives, employees, salaried consultant and nor holding over 1% of the total voting shares of any other company which run such same business with the Company and its subsidiaries.
9. Shall have the qualifications and not having prohibited characteristics as stipulated in the Articles of Association of the Company, the Public Limited Companies Act and the rules of the Office of the Securities and Exchange Commission.

3. Committee

The Company set up the Committee comprises of Executive Committee, Audit Committee, Nomination and Remuneration Committee as described in the Company's management structure.

4. The Roles and Responsibilities of the Boards of Directors

1. Shall perform their duty honestly and carefully to achieve the Company's goal for the best benefits of the shareholders.
2. Shall provide sufficient time to perform their assigned duty.
3. Shall be consistently accountable to shareholders and support shareholders to exercise their rights in various areas.
4. Shall treat the stakeholders equally and fairly.



5. The Boards of Directors shall convene once every 3 months, In year 2011, the Board of Directors has the total Meetings of 12 times. Details of the attendance in each meetings are as follows:

No.	Name	Position	Attendance/ No. of meeting
1.	Mr. Nibhat Bhukkanasut ^{*1}	Chairman and Independent Director	9/12
2.	Dr. Somsak Leeswadtrakul	Vice Chairman	11/12
3.	Assoc. Prof. Niputh Jitprasonk	Independent Director	11/12
4.	Mr. Chanathip Trivuth	Director	12/12
5.	Mrs. Arthiditaya Sutatam	Independent Director	2/12
6.	Mr. Sittichai Leeswadtrakul	Director	11/12
7.	Mr. Isra Akrapitak	Director	12/12
8.	Assoc. Prof. Sukunya Tantanawat	Independent Director	12/12
9.	Mr. Ryuzo Ogino ^{*2}	Director, Chairman ^{*4}	5/12
10.	Mr. Sittisak Leeswadtrakul ^{*2}	Director	7/12
11.	Mr. Ariel Seth Levy ^{*3}	Director	6/12
12.	Mr. Ahab G Garas ^{*2 *3}	Director	2/12

Remark :

- *1. Mr. Nibhat Bhukkanasut has resigned from the position of Chairman and Independent Director of the Company effective as of 11 November 2011.
- *2. Mr. Ryuzo Ogino, Mr. Sittisak Leeswadtrakul and Mr. Ahab G Garas has appointed to be Director on 27 April 2011.
- *3. Mr. Ariel seth Levy and Mr. Ahab G Garas have resigned from the position of Director of the Company on 17 June 2011.
- *4. Mr. Ryuzo Ogino has appointed to be Chairman instead of Mr. Nibhat Bhukkanasut as the resolutions of Board of Directors Meeting No. 12/2011 on 22 December 2011.

5. SUPERVISION OF INTERNAL INFORMATION CONTROL

The Company adopt a policy and measures to supervise the management on the use of internal information for their own benefits and trading securities. In particular, during the one month before the Company's financial statements will be disseminated to the public, the information will be limited only to those who have the need to know.

The Company's executives and the Plan Administrator are fully responsible for preparing and submitting to the SEC and the SET the report on their shareholding in the Company including those of their spouses and minor children and any change thereof in accordance with section 59 of the Securities and Exchange Act B E 2535 within the following specified period:

- An initial shareholding report (Form 59-1) must be submitted within 30 days after the end of subscription period of any public offering of the Company or after the date of appointment to be the management of the Company.



- The report of change in shareholding (Form 59-2) must be submitted within 3 business days after the purchase, sale or transfer.

Those who fail to comply with the policy or measures will be penalized pursuant to the Company's regulations.

6. INTERNAL CONTROL

The company puts the internal control as a priority and has assigned the scopes of duties for the management and employees clearly in writing. That can help promoting operational efficiency, sufficient control, apparent organizational administration, organizational reformation consistent with business strategy, employee sourcing, uninterrupted employee development appropriate for business fluctuation, reduction of overlapping operation, identical standard of operation and apparent determination of business operational target by considering various factors such as economic status, market situation and competing strategy.

The Company has identified risk factors, risk opportunities, risk impacts, administrative strategy and risk follow-up to minimize organizational affect or risk management to transform crisis into opportunity together with determining alert signal in order to prevent or decrease risks that may occur to the business operation.

The Company has set up the suitable control activity in order to operate efficiently such as clearly define the scope of authority and function of each executive, regular following up with the Company operation together with having internal control system with respect to transactions with major shareholders, directors, executives and other related persons.

The Company has the internal audit department to audit the business operation as well as the legal department to ensure the compliance with any applicable rules and regulations, and legislations. The Company ensures that business operation and activity must be in conjunction with the Company's objectives.

The Board of Directors has appointed the Audit Committee to consider and justify a rational of the related transactions, the internal control system, and to attend a joint meeting with the auditor and to consider and review the financial statements and its disclosure together with considering an annual audit plan. The Board of Directors, moreover, will keep following up with the internal audit reports and maintaining the independent function of the internal audit department. Also, the Company has established the Risk Management Committee to help improving the Company's business administration and reducing the Company's risks.

The Company has regularly minutes most of the Company's meetings and also complied with applicable rules and regulations in storing important documents and accounting documents together with having efficient storage system and communicating system that up-to-date and easy to use.

The Company hold the executive meetings regularly in order to compare the operational performance with the defined target which will be regularly and continuously analyzed and improved.





Khunying Patama Leeswadtrakul, the Company's Chief CSR, is responsible for the Company's business operation, together with Corporate Social Responsibility: CSR. She has continuously supported and promoted a concrete CSR. The CSR policy has been based on inside out approach: from the Company internally to community and society externally. It means the Company has been taking good care of and being responsible for its stakeholders, including employees and their families, customers, shareholders, local community government agencies, suppliers and contractors, analysts, investors and financial institutions, scholars, educational institutions, and mass media.

In 2011, the Company participated in CSR-DIW project of Corporate Social Responsibility (CSR) hosted by the Department of Industrial Works, Ministry of Industry on 20 April 2011 and the Company participated in CSR-DPIM project of Standard for Corporate Social Responsibility-Department of Primary Industries and Mines on 2 June 2011. The project covers 7 major aspects of Organizational Governance, Human Rights, Fair Labor Practices, Environment, Fair Operating Practices, Consumer Issues, and Social Development.

During 2011, the Company participated in CSR activities both internally and externally, as well as community, social, and environment work as follows:

ORGANIZATION INTERNAL ACTIVITIES

- Encouraged the cultures and conserve the cultural heritages by conducted Songkran festival religious ceremony and Thod Kra Thin* religious ceremony (*ceremony of presenting yellow robes to the Buddhist monks at the end of the Buddhist Lent).
- Encouraged the conservation of the environment by planting trees in the organization and planting vetiver grass to prevent the reservoir in front of the factories washing out.
- Encouraged the good relationship between employees and the increasing of the employees' incomes by arranged Recycle Bank Project and acknowledged the recycle system to employees to sell the garbages and also arranged Employees' Evening Market Project.
- Participated the employees in Safety Day Project to acknowledge them about safety in work and also in life, for example Drunk Don't Drive Project.
- Encouraged the social responsibility by participated in Energy Saving Project and acknowledged the employees about energy saving to reduce the releasing of the greenhouse gases, which is one of the cause of global warming.
- Encouraged giving back to social by hosted Blood giving in Mother's Day.
- Encouraged the unity and hygiene by hosted Sport Day, Big Cleaning, and Yearly Health Check.
- Encouraged personnel development in organization by hosted training internally and with other organizations.
- The executives meet with the employees to develop good atmospheres at work.

SOCIAL PARTICIPATION

- The Company organized factories' visit for students, communities, and shareholders, to observe the manufacturing process. And also receive ideas and suggestions from the visitors.
- Cooperate the Anti-Drug Project with Wad Ban Bo Win School.
- The Company built Mushroom's Spore Mixing Machine for Moo 6 community to increase the community incomes.
- The Company participated in social benefit activities as follow: cleaning the communities, planting tree with the communities, fixing and developing Wad Ban Bo Win School's playground.
- Donated for flood victims and participated the employees to help packing survivor bag with Princess Pa's Foundation and Stock Exchange of Thailand.

As a result of operating with Social Responsibility and Environment awareness, The Company continuously participate in several programs with Ministry of Industry in 2011. Thus, received renown awards from the government sector as follows:

- Shield and certificate from the Ministry of Industry for the standard of industrial business social responsibilities 2011, CSR-DIW, awarded on 23 September 2011.
- Shield and certificate of global standard of social responsibilities in steel industrial, CSR-DPIM, awarded on 23 December 2011.
- Shield and certificate of Green Mining 2011 for steel industry, awarded on 23 December 2011.
- Certificate to prove that the Company is at level 2 in Green Industry Project. Since 24 August 2011, the Company has successfully managed to reduce the impact to environment as expected.
- Certificate from Department of Alternative Energy Development and Efficiency: Ministry of Energy as an Example of Factory, awarded on 16 September 2011.
- Certificate from Department of Primary Industries and Mines to prove that the Company is the leading in Clean Development Mechanism Project, awarded on 12 September 2011.

BOARD OF DIRECTORS AND MANAGEMENT



Name-Surname/Position	Age (Year)	Education	% of shareholding	Relation	Work Experience for the Past 5 Years		
					Time	Position	Organization
1. Mr. Ryuzo Ogino Chairman	68	<ul style="list-style-type: none"> • Bachelor of Arts in Economics, Keio University, Japan 	None	None	Dec. 2011 - Present Apr. 2011 - Present 2010 - Present 2005 - Present 2004 - 2009 2000 - 2004	<ul style="list-style-type: none"> • Chairman • Director • Chief Executive Officer • Director & Executive Director • President • Director 	G J Steel Plc. G J Steel Plc. G Steel Plc. G Steel Plc. G Steel Plc. Suncall Corporation
2. Dr. Somsak Leeswadtrakul Vice Chairman	59	<ul style="list-style-type: none"> • Wharton-Nida Executive Leadership Program Certificate, University of Pennsylvania, USA • The Program of Capital Market Academy • The Program of Senior Executive in Criminal Justice Administration • Honorary of Doctorate in Administration, Kasetsart University • MBA, Ramkhamhaeng University • B. Econ., Ramkhamhaeng University • Director Accreditation Program (DAP) • The Role of Chairman Program (RCP) • Financial Statement for Directors (FSD) Thai Institute of Directors (IOD) 	None	<ul style="list-style-type: none"> • Father of Mr. Sittisak Leeswadtrakul • Uncle of Mr. Sittichai Leeswadtrakul 	Present Present 1988 - Present Present Present Present Present Present Present Present	<ul style="list-style-type: none"> • Vice Chairman • Vice Chairman • Director • Honorable Chairman • Board of Member • Council Members • Distinguished Member of Ramkhamhaeng Council • Audit Committee • Council Members • Member of the Board of Directors 	G J Steel Plc. G Steel Plc. Thailand Iron Works Plc. Siam Metals Association Iron Steel Institute of Thailand Nation Institute of Development Administration (NIDA) Ramkhamhaeng University Ramkhamhaeng University Saint Louis College World Vision Foundation of Thailand

Name-Surname/Position	Age (Year)	Education	% of shareholding	Relation	Work Experience for the Past 5 Years		
					Time	Position	Organization
3. Assoc. Prof. Niputh Jitprasonk Independent Director & Chairman of Audit Committee	69	<ul style="list-style-type: none"> • M.B.A. (International Trade & Finance), Gothenburg School of Economics and Business Administration, Sweden • Bachelor of Arts (Hon., First Class) Faculty of Commerce and Accountancy, Thammasat University • Certificate, Capital Market Academy Leadership Program, Class 2 • Thailand National Defence College (TNDC.) 377 • Director Accreditation Program (DAP) 85/2007 Thai Institute of Directors (IOD) 	None	None	2009 - Present	• Independent Director & Chairman of Audit Committee	G J Steel Plc.
					2009 - Present	• Consultant, Real Estate Business Program	Thammasat University
					2011 - Present	• Director	AIRA Capital Plc.
4. Mrs. Arthidaya Sutatam Independent Director & Audit Committee	54	<ul style="list-style-type: none"> • MBA, Morehead State University, U.S.A. • Master of Information Technology King Mongkut's Institute of Technology Ladkrabang • Director Accreditation Program (DAP) 30/2005 Thai Institute of Directors (IOD) 	None	None	2006 – Present	• Independent Director & Audit Committee	G J Steel Plc.
					Present	• Director, Office of Promotion and Development of E-Government	The Office of the Permanent Secretary of Information and Communication Technology

Name-Surname/Position	Age (Year)	Education	% of shareholding	Relation	Work Experience for the Past 5 Years		
					Time	Position	Organization
5. Assoc. Prof. Sukanya Tantanawat Independent Director & Audit Committee	58	<ul style="list-style-type: none"> • Master of Development Economics Nation Institute of Development Administration (NIDA) • Bachelor of Arts in Economics, Chulalongkorn University 	None	None	2010 - Present Present	<ul style="list-style-type: none"> • Independent Director & Audit Committee • Director of Graduate Studies 	G J Steel Plc. Ramkhamhaeng University
6. Mr. Sittichai Leeswadtrakul Director	34	<ul style="list-style-type: none"> • Master of Law, Department of Economics Regulation, Chulalongkorn University • Master of Science in Engineering Management, Warwick University, UK • Bachelor of Business Administration, Mahidol University • Director Accreditation Program (DAP) 41/2005 Thai Institute of Directors (IOD) 	None	Nephew of Dr. Somsak Leeswadtrakul	2009 - Present 2011 - Present 2010 - Present 2009 - Present 2008 - Present 2004 - Present	<ul style="list-style-type: none"> • Director • Director • Director • Director • Director • CEO & President 	G J Steel Plc. Ocean Profit Co., Ltd. Million Miles Co., Ltd. G Steel Plc. Millcon Burapa Co., Ltd. Millcon Steel Industries Plc.
7. Mr. Chanathip Trivuth Director & President	48	<ul style="list-style-type: none"> • Master of Business Administration, National Institute of Development Administration (NIDA) • Bachelor of Arts (Economics), Thammasat University • Director Accreditation Program (DAP) Thai Institute of Directors (IOD) 	None	None	Present 2006 - Present 2004 - Present 2004 - 2006 1999 - Present 1991 - Present	<ul style="list-style-type: none"> • Director & President • Director • Director • Director & Managing Director • Managing Director • Managing Director 	G J Steel Plc. Asia Metal Plc. Felix River Kwae Resort (Kanchanaburi) Co., Ltd. S.S.P Place Co., Ltd. Great Siam Steel Works Co., Ltd. Intelligent Systems Network Co., Ltd.

Name-Surname/Position	Age (Year)	Education	% of shareholding	Relation	Work Experience for the Past 5 Years		
					Time	Position	Organization
8. Mr. Isra Akrapitak Director & Executive Vice President : Finance & Account	42	<ul style="list-style-type: none"> Master of Management, Thames School, Amsterdam, Netherlands B.B.A, Business Administration, Assumption University Certificate: Leadership & Management Skills, University van Amsterdam & SITA, Amsterdam, Netherlands Director Accreditation Program (DAP) 81/2009 Thai Institute of Directors (IOD) 	None	None	2009 - Present	<ul style="list-style-type: none"> Director & Executive Vice President : Finance & Account 	G J Steel Plc.
					2009 - 2010	<ul style="list-style-type: none"> Director 	Agro Industrial Machinery Plc.
					2005 - 2008	<ul style="list-style-type: none"> Managing Director 	KPN Music Co., Ltd.
9. Mr. Sittisak Leeswadtrakul Vice President : Commercial	34	<ul style="list-style-type: none"> General Engineering, Queen Mary University (London) 	None	Son of Dr. Somsak Leeswadtrakul	Present	<ul style="list-style-type: none"> Vice President: Commercial 	G J Steel Plc.
					2008 - 2011	<ul style="list-style-type: none"> Senior officer, steel division 	Mitsui & Co. (Thailand) Ltd.
					2006 - 2008	<ul style="list-style-type: none"> Business Assistant, steel division 	Mitsui & Co. Europe Plc.
10. Ms. Pannee Tanaprateepkul Company Secretary & Executive Vice President: HR & Admin, Procurement & Logistics	50	<ul style="list-style-type: none"> MBA, Ramkhamhaeng University Bachelor of Business Administration (General Management), Sukhothai Thammathirat Open University Bachelor of Economics, Ramkhamhaeng University 	None	None	Present	<ul style="list-style-type: none"> Executive Vice President : HR & Admin, Procurement & Logistics 	G J Steel Plc.
					2005 - 2006	<ul style="list-style-type: none"> Vice President-General Administration 	G Steel Plc.

Name-Surname/Position	Age (Year)	Education	% of shareholding	Relation	Work Experience for the Past 5 Years		
					Time	Position	Organization
11.Mr. Santi Kittikote Executive Vice President: Operation	68	● Bachelor of Engineering, Chulalongkorn University	None	None	Present	● Executive Vice President: Operation	G J Steel Plc.
					2005 - 2008	● Senior Manager	G J Steel Plc.
					2002 - 2005	● Director	Millenium Steel Plc.



The Company has entered into transactions with related persons which may give rise to the conflict of interest issue whereby such transactions can be summarized as follows:

Related Persons	Description
G Steel Public Company Limited	<ol style="list-style-type: none"> 1. G Steel Public Company Limited is holding 22.33 percent of the Company's shares (as of 17 June 2011) 2. Dr. Somsak Leeswadtrakul, the Company's Vice Chairman, is the Vice Chairman of G Steel Public Company Limited. 3. Khunying Patama Leeswadtrakul, spouse of Dr. Somsak Leeswadtrakul who is the Company's Vice Chairman, is director and minor child in the total of 8.72 percent of the shares of G Steel Pubic Company Limited (as of 31 December 2011). 4. Mr. Sittichai Leeswadtrakul, the Company's Director, is Director and is holding 1.97 percent of the shares of G Steel Public Company Limited (as of 31 December 2011). 5. Mr. Ryuzo Ogino, the Company's Chairman of Director, is Director and Chief Executive Officer of G Steel Public Company Limited.
Oriental Access Company Limited	<ol style="list-style-type: none"> 1. Oriental Access Company Limited is holding 21.57 percent of the Company's shares (as of 17 June 2011) 2. G Steel Public Company Limited is indirectly holding 99.98 percent of the shares of Oriental Access Company Limited (as of 31 December 2011) 3. Mr. Ryuzo Ogino, the Company's Chairman of Director, is Director of Oriental Access Company Limited.
Asia Metal Public Company Limited	<ol style="list-style-type: none"> 1. Mr. Chanathip Trivuth, the Company's director and President, is Director and is holding 4.17 percent of the shares of Asia Metal Public Company Limited (as of 28 March 2011) 2. Khunying Patama Leeswadtrakul , spouse of Dr. Somsak Leeswadtrakul who is the Company's Vice Chairman, is holding 14.38 percent in the shares of Asia Metal Public Company Limited (as of 28 March 2011)
Mill Con Steel Industries Public Company Limited	<ol style="list-style-type: none"> 1. Mr. Sittichai Leeswadtrakul, the Company's Director, is the Chairman of Executive Committee and Managing Director of Mill Con Steel Industries Public Company Limited and is holding 24.04 percent of the shares of Mill Con Steel Industries Public Company Limited (as of 31 December 2011). 2. Khunying Patama Leeswadtrakul, spouse of Dr. Somsak Leeswadtrakul who is the Company's Vice Chairman, is holding 1.09 percent of shares of Mill Con Steel Industries Public Company Limited (as of 31 December 2011).

Related Persons	Description
SSP Place Company Limited	Mr. Chanathip Trivuth, the Company's Director and President, is Director and Managing Director of SSP Place Company Limited and is holding 99.99 percent of the share of SSP Place Company (as of 31 December 2011)
Millcon Burapa Company Limited (Formally: BRP Steel Company Limited)	Mr. Sittichai Leeswadtrakul, the Company's Director, is Director of BRP Steel Company Limited
Arnoma Hotel Bangkok Company Limited	Khunying Patama Leeswadtrakul, spouse of Dr. Somsak Leeswadtrakul who is the Company's Vice Chairman, is Director of Arnoma Hotel Bangkok Company Limited
Intelligent System Network Company Limited	Mr. Chanathip Trivuth, the Company's Director and President, is the Managing Director of Intelligent Systems Network Company Limited

Related Transactions in 2011 and 2010 (restated) are as follows:

1. Transactions with G Steel Public Company Limited:

Description	Transaction Value/Outstanding (THB Million)		Necessity and Reasonableness of Transactions
	As of 31 December 2011	As of 31 December 2010	
• Purchase of Raw Material & Finished Goods	42.31	21.74	The management's opinion: These transactions are in ordinary course of the Company's business.
• Revenue from sale	224.26	12.58	
• Accounts payable	156.42	111.28	
• Payable to related party from offsetting of machinery purchase	946.19	957.88	
• Account Receivable	15.94	-	
• Other income	-	5.27	
• Interest expenses	74.73	36.01	
• Accrued interest expense	53.38	1.16	
• Advance from customers	38.88	-	



2. Transactions with Oriental Access Company Limited:

Description	Transaction Value/Outstanding (THB Million)		Necessity and Reasonableness of Transactions
	As of 31 December 2011	As of 31 December 2010	
• Sale and Administration expenses	303.36	412.54	The management's opinion: These transactions are in ordinary course of the Company's business and moreover have been approved by the Creditors' Committee whereby such expenses are in accordance with the Operation Service Agreement.
• Other accrued expenses	905.30	576.60	

3. Transactions with Asia Metal Public Company Limited:

Description	Transaction Value/Outstanding (THB Million)		Necessity and Reasonableness of Transactions
	As of 31 December 2011	As of 31 December 2010	
• Revenue from sale of finished goods	921.57	455.08	The management's opinion: These transactions are in ordinary course of the Company's business.
• Advanced from customer	101.07	73.66	

4. Transactions with Mill Con Steel Industries Public Company Limited:

Description	Transaction Value/Outstanding (THB Million)		Necessity and Reasonableness of Transactions
	As of 31 December 2011	As of 31 December 2010	
• Revenue from sale of finished goods	1,706.39	1,305.35	The management's opinion: These transactions are in ordinary course of the Company's business.
• Purchase of raw materials & finished goods	-	78.22	
• Advanced from customer	46.24	125.05	

5. Transactions with SSP Place Company Limited:

Description	Transaction Value/Outstanding (THB Million)		Necessity and Reasonableness of Transactions
	As of 31 December 2011	As of 31 December 2010	
• Rental of office space and other services	4.22	2.85	The management's opinion: The space is rented to support business operation and is charged at the same rate as other tenants.
• Accrued Expenses	1.12	2.33	

6. Transaction with Millcon Burapa Company Limited (Formally: BRP Steel Company Limited)

Description	Transaction Value/Outstanding (THB Million)		Necessity and Reasonableness of Transactions
	As of 31 December 2011	As of 31 December 2010	
• Revenue from sale of finished goods	61.52	79.47	The management's opinion: These transactions are in ordinary course of the Company's business.
• Purchase of raw materials & finished goods	-	56.44	
• Advanced from customer	5.28	58.35	

7. Transaction with Arnoma Hotel Bangkok Company Limited

Description	Transaction Value/Outstanding (THB Million)		Necessity and Reasonableness of Transactions
	As of 31 December 2011	As of 31 December 2010	
• Others expenses	0.09	0.31	The management's opinion: These transactions are in ordinary course of the Company's business.
• Accrued Expenses	-	0.31	

8. Transaction with Intelligent System Network Company Limited

Description	Transaction Value/Outstanding (THB Million)		Necessity and Reasonableness of Transactions
	As of 31 December 2011	As of 31 December 2010	
• Others expenses	0.61	0.18	The management's opinion: These transactions are in ordinary course of the Company's business.
• Accrued Expenses	0.23	-	

MEASURES AND PROCEDURES IN APPROVING RELATED TRANSACTIONS

The related transactions must comply with the laws on securities and exchange and regulations, announcements, orders or terms and condition of the Securities and Exchange Commission (the "SEC") and the Stock Exchange of Thailand (the "SET"). The person who may have any conflict of interest with the related transactions will not have the right to cast their vote. The Board of Directors and the Audit Committee have to review and control those transactions. The management and/or director who has no conflict of interest on those transactions will perform the decision making task in relation these related transactions excluding the transaction in the ordinary course of business.

However, the procedures in approving the related transactions will be performed in accordance with the Company's guideline on dealing with the related transactions and will be, further, opined by the Audit Committee for the reasonableness and necessity. The Company will also comply with relevant regulations of the SET and the SEC whereby such related transactions shall be either approved by the Board of Directors or the shareholders. Furthermore, the Company also determines its policy in handling the related transaction as follows:

1. Transactions in ordinary course of the Company's business with standard terms of trade

In the future, the Company is expecting to continue entering into the transactions with related persons in the ordinary course of the Company's business which may create the conflict of interest issue such as purchase and sale of goods or office rental whereby the terms and conditions of such transactions will be the standard terms of trade same as other customer.

2. Transactions in ordinary course of the Company's business without standard terms of trade and other related transactions

In the future, the Company is expecting to continue entering into the transactions with related persons in the ordinary course of the Company's business whereby the terms and conditions of such transactions will not be the standard terms of trade and also entering into other related transactions which may create the conflict of interest issue such as entering into the transactions with the Strategic Advisory Alliance. The company will strictly follow the terms and conditions of the agreement. In case there shall be any additional related transaction in the future, the Company will strictly comply with the measures and procedures in approving the related transactions and any director who may have any conflict of interest will not have the right to approve the transactions in accordance with the scope of authority.



3. Loans

The Company has no policy in granting any loans to any related companies and to the Strategic Advisory Alliance, however, in case of unavoidable, the Company will strictly follow the relevant measures and procedures in approving such related transactions and any director who may have any conflict of interest will not have the right to approve the transactions in accordance with the scope of authority.

Besides, the Company's products are similar to those of G Steel Public Company Limited's product. Therefore, in order to prevent any future conflict of interest, the Company's management determined the measures as follows:

1. To reduction of business competition between the Company and G Steel

The Company's management and G Steel plan the guideline of each business expansion base on each company's expertise, appropriateness and customer base. This guideline will be in consistent with each customer's demand to avoid the duplicate investment and to create Economy of Scale in the production and the purchase of raw materials.

2. The independence of the director and management

Both companies have their own independent directors and Audit Committee to ensure the benefit of the minority shareholders and the management has policy in operating the business independently.

3. Transaction between the Company and G Steel

The Company has a policy in maintain Commercial Arm's Length Basis in transaction between the Company and G Steel. If there is any related transaction, the transparent audit by the external auditor of both companies are required in order to review and provide opinion to such transaction and subsequently disclose in the financial statement.



The Company's gross profit (loss) for the year 2011 and 2010 were amounted to THB 674 million and THB 313 million, respectively, and EBITDA for the year 2011 and 2010 were amounted to THB 527 million and THB 237 million, respectively, whereby in 2011, an increase of selling price resulted in an increase of the Company retained gross profit. The major factors were the gain from the reversal of bad and doubtful debts expense in the amount of THB 20 million, other income in the amount of THB 72 million, and expense included loss on confirmed purchase orders for undelivered raw material in the amount of THB 146 million and net foreign exchange loss in the amount of THB 290 million.

1. OPERATING RESULTS

● Revenue from sales and cost of goods sold

Revenue from sales for the year 2011 and 2010 amounted to THB 18,607 million and THB 15,158 million respectively, and gross profit for the year 2011 and 2010 amounted to THB 674 million and THB 313 million respectively. The major factor contributing to the year 2011's improved gross profit was an increase in average selling price realizations experienced during the year when compared to the year 2010 and an increase in sales volume.

● Reversal of bad and doubtful debts expense

For the year 2011, the Company had a reversal of provisions for bad and doubtful debt which amounted to THB 20 million due to payment received from customer which was fully recorded for allowance for doubtful debt. For the year 2010 the Company had a reversal of provision for bad and doubtful debt which amounted to THB 276 million. This reversal was attributed from the offsetting of receivables due from one customer against payables owed to the supplier, as the customer and supplier were related to one another.

● Other income

Other income for the year 2011 and 2010 amounted to THB 72 million and THB 32 million respectively, the major contribution were payment received from insurance claim and sale of by-product and waste

● Selling expenses

Selling expenses for the year 2011 and 2010 amounted to THB 144 million and THB 183 million, respectively. The decrease of THB 39 million was due to an export sales volume for the year 2011 was decrease from year 2010

● Administrative expenses

Administrative expenses for the year 2011 and 2010 amounted to THB 1,112 million and THB 1,466 million respectively. The decrease of THB 343 million is primarily attributed from the decrease in operations consultancy charges, penalties, depreciation and the increase in idle expenses.

● Loss on confirmed purchase orders of an undelivered raw material

For the year 2011, the Company had recorded loss on confirmed purchase orders of an undelivered raw material amounted to THB 146 million due to the cost of raw material increased and year-end average selling price was decreased. While in year 2010, the Company had recorded a reversal of a provision for losses on confirmed purchase orders for the undelivered raw material which amounted to THB 128 million, due to the increase of the Company's average selling realizations throughout the year.



- **Net foreign exchange loss**

The Company had a loss on foreign exchange for the year 2011 amounted to THB 290 million. The major contribution was the weakening of the Thai baht versus the US dollar. While in year 2010, the Company has a gain on foreign exchange amounted to THB 572 million. The major contribution was the strengthening of the Thai Baht versus the US dollar.

- **Finance costs**

Finance cost for the year 2011 and 2010 amounted to THB 348 million and THB 412 million respectively. The decrease of THB 64 million was due to the fact that the Company had entered into trade creditor restructuring agreement which reduce interest rate from 5-12 percent to 1 percent.

2. FINANCIAL STATUS

Assets

As of 31 December 2011 and 2010, the total assets were THB 23,436 million and THB 23,692 million respectively that was reduced by THB 256 million or 1.08% which mainly resulted from the reduction of cash and cash equivalents, trade accounts receivable, advances to suppliers, other current assets and property, plant and equipment. As for the increase in inventories and other non-current assets which can be explained as follows.

1. Cash and cash equivalents

As of 31 December 2011 and 2010, the Company had its cash and cash equivalents in the amount to THB 32 million and THB 57 million respectively, decreased by THB 25 million or 44% due to the Company has net cash provided by operating activities in amount to THB 144 million but was spent in investment and financing activities in amount to THB 61 million and 87 million respectively. Thus, cash and cash equivalents were decreased. (Details as per the Statement of Cash Flow).

2. Trade accounts receivable

As of 31 December 2011, the Company had its trade accounts receivable in the amount to THB 658 million deducted with allowance for doubtful debt in the amount to THB 425 million. Therefore, net trade accounts receivable is THB 233 million. On 31 December 2010, trade accounts receivable was amount to THB 862 million deducted with allowance for doubtful debt in the amount to THB 444 million. Therefore, net trade accounts receivable is THB 418 million decreased during the year in the amount to THB 184 million. It was due to the fact that there was an offset between the trade accounts receivable and trade accounts payable resulted in the decreased allowance for doubtful debt and net trade accounts receivable on 31 December 2011 in amount to THB 233 million, is also trade accounts payable of the Company whereby the amount of trade accounts payable is greater than the trade accounts receivable.

3. Inventories

As of 31 December 2011 and 2010, the Company had its inventories amount to THB 2,021 million and THB 1,038 million, respectively, increased by THB 983 million due to the raw materials for production was increased.



4. Advances to suppliers

As of 31 December 2011 and 2010, the Company had its cash advance to suppliers in the amount of THB 116 million and THB 160 million, respectively, decreased by THB 44 million because advances to suppliers for purchase raw material was decreased.

5. Other current assets

As of 31 December 2011 and 2010, the Company had its other current assets in the amount of THB 200 million and THB 288 million, respectively decreased by THB 88 million because accounts receivable of provisional claim for supplier of raw material was decreased and tax receivable was increased.

6. Property, plant and equipment

As of 31 December 2011 and 2010, the Company had property, plant and equipment in the amount of THB 20,141 million and THB 21,070 million, respectively, decreased by THB 929 million or 4.41% due to the annual depreciation.

7. Intangible assets

As of 31 December 2011 and 2010, the Company had its intangible assets in the amount of THB 37 million and THB 41 million respectively, decreased by THB 4 million due to the annual depreciation.

Liabilities

As of 31 December 2011 and 2010, the Company had its total liabilities in the amount of THB 11,201 million and THB 10,215 million, respectively, increased by THB 986 million or 9.65% which mainly resulted from the increase in trade account payable, other payables and accrued expenses, accrued interest, employee benefit obligations and reduction of advance from customers, provision for liabilities, and other current liabilities which can be explained as follows:

1. Trade accounts payable

As of 31 December 2011 and 2010, the Company had its trade accounts payable in the amount of THB 4,622 million and THB 3,129 million, respectively increased by THB 1,493 million due to increased of raw material accounts payable.

2. Advance from customers

As of 31 December 2011 and 2010, the Company had received advance from customers in the amount of THB 560 million and 1,408 million, respectively, reduced by THB 848 million due to the fact that the Company gradually delivered products to customers.

3. Other payables and accrued expenses

As of 31 December 2011 and 2010, the Company had its other payables and accrued expenses in the amount of THB 2,244 million and THB 1,715 million, respectively, increased by THB 529 million due to reclassification of accounting by transfer principle of loan from provision.



4. Accrued Interest

As of 31 December 2011 and 2010, the Company had its accrued interest in the amount to THB 728 million and 363 million, respectively, increased by THB 365 million due to reclassification of accounting by transferring of accrued interest from provisions, interest from Compromise agreement, interest of the machine, and the interest of compromise with other payable.

5. Provision

As of 31 December 2011 and 2010, the Company had recorded a provision in the amount to THB 1,006 million and 1,517 million, respectively, decreased by THB 511 million due to reclassification of accounting by transfer provision to others payable and accrued interest expenses.

6. Liabilities under rehabilitation plan

As liabilities under rehabilitation plan were due in 2011, the Company had to reclassify these liabilities from non-current liabilities to current liabilities which increased by THB 9 million due to weakening of the Thai baht versus the US dollar.

7. Other current liabilities

As of 31 December 2011 and 2010, the Company had its other current liabilities in the amount to THB 568 million and 618 million, respectively, decreased by THB 50 million due to advance from warrant 2 which was received in 2010 exercised to ordinary share on January 2011.

Shareholder's equity

As of 31 December 2011 and 2010, the total shareholder's equity is equal to THB 12,235 million and THB 13,477 million, respectively, decreased by THB 1,242 million or 9.22% due to (1) the net loss of the year 2011 in the amount to THB 1,292 million (2) the warrant holder (GJS-W2) in the amount of 66,941,711 shares at 0.03 baht per unit or equivalent to THB 2,008,825.33 being exercised (warrant 1 unit : 3 ordinary shares) converted to the amount of 200,825,133 shares, amounted to THB 138,569,341.77 (3) reversal of premium on ordinary share in the amount to THB 86,354,806.69.

Liquidity

The financial statements as of 31 December 2011 and 2010, the liquidity of the Company represented by financial ratios is as follows:

	As of 31 December	
	2011	2010
Current Ratio	0.23	0.21
Quick Ratio	0.02	0.05
Debt to Equity Ratio	0.92	0.76



**To the Shareholders of G J Steel Public Company Limited**

I have audited the accompanying statement of financial position of G J Steel Public Company Limited (the “Company”) as at 31 December 2011, and the related statements of comprehensive income, changes in equity and cash flows for the year then ended. The Company’s management is responsible for the correctness and completeness of information presented in these financial statements. My responsibility is to issue a report on these financial statements based on my audits. The financial statements for the year ended 31 December 2010 of the Company were audited by another auditor who expressed an unqualified opinion on those financial statements in her report dated 4 March 2011. Her report included an emphasis paragraph on matters relating to the Company’s ability to continue on a going concern basis founded on the assumption that ArcelorMittal Netherlands B.V. (“AM”)’s investment in G Steel Public Company Limited (“G Steel”) and the Company would be successfully completed.

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

As disclosed in Note 1.4 to the accompanying financial statements, on 19 December 2011, G Steel received a notice of termination from AM of the Share Subscription Agreement, dated 15 December 2011. The circumstances described in Note 1.4 raise substantial uncertainties over the Company’s ability to continue as a going concern and to realize the carrying amounts of its assets. The financial statements do not include any adjustments that would be required (including any which may be required in relation to the valuation of the Company’s assets) should the Company be unable to generate sufficient cash flows and/or raise additional financing from other sources in order to enable it to continue as a going concern.

As disclosed in Note 12, to the accompanying financial statements, the Company’s property, plant and equipment were evaluated as at 31 December 2011. The evaluation was based on assumptions and estimates for potential impairment by the Company and the results of this analysis did not indicate any additional impairment in the carrying value of these assets as at 31 December 2011. In view of the significant uncertainties over the Company operations, there are inherent uncertainties on the validity of the assumptions underlying the impairment analysis. I was, accordingly, unable to satisfy myself as to whether and to what extent the carrying value of the Company’s property, plant and equipment have been impaired.

Because of the pervasive effect on the financial statements of the matters described in the third and fourth paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I am unable to express an opinion on the financial statements for the year ended 31 December 2011 of the Company.

Without changing the conclusion in respect of the above financial statements, as explained in Notes 2 and 3 to the accompanying financial statements, with effect from 1 January 2011 the Company has adopted certain new and revised financial reporting standards.



(Nirand Lilamethwat)
Certified Public Accountant
Registration No. 2316

KPMG Phoomchai Audit Ltd.
Bangkok
27 February 2012

Without changing the conclusion in respect of the above financial statements, as explained in Notes 2 and 3 to the accompanying financial statements, with effect from 1 January 2011 the Company has adopted certain new and revised financial reporting standards.



(Nirand Lilamethwat)
Certified Public Accountant
Registration No. 2316

KPMG Phoomchai Audit Ltd.
Bangkok
27 February 2012



STATEMENTS OF FINANCIAL POSITION

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G J Steel Public Company Limited
As at 31 December 2011 and 2010

Assets	Note	2011	2010
		(in Baht)	
Current assets			
Cash and cash equivalents	7	32,264,246	56,835,921
Current investment		7,284,501	5,242,964
Trade accounts receivable	5, 8	233,581,984	418,090,420
Inventories	9	2,020,610,572	1,037,723,612
Advances to suppliers	5	116,240,182	160,179,891
Other current assets	5, 10	199,875,533	288,259,627
Total current assets		2,609,857,018	1,966,332,435
Non-current assets			
Restricted deposits at financial institutions	11	176,700,000	176,700,000
Long-term loans to and receivables from former related parties	6	70,506,489	70,506,489
Property, plant and equipment	12	20,140,645,499	21,070,303,005
Intangible assets	13	36,686,902	40,874,230
Other non-current assets	14	401,897,497	366,943,604
Total non-current assets		20,826,436,387	21,725,327,328
Total assets		23,436,293,405	23,691,659,763

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



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STATEMENTS OF FINANCIAL POSITION

G J Steel Public Company Limited
As at 31 December 2011 and 2010



Liabilities and equity	Note	2011	2010
		(in Baht)	
Current liabilities			
Short-term loan from other parties	15	140,993,306	138,664,547
Trade accounts payable	5, 15, 16	4,622,063,565	3,129,030,485
Advance from customers	5, 35.4	560,123,080	1,408,194,679
Other payables and accrued expenses	5, 15, 17	2,244,372,769	1,715,057,741
Accrued interest expenses	5	727,994,686	363,288,317
Provisions	21	1,006,210,768	1,517,353,594
Current portion of liabilities under rehabilitation plan	19	376,171,937	367,136,244
Payable to related party from offsetting of machinery purchase	5, 15	946,187,395	-
Other current liabilities	18	567,726,872	618,024,310
Total current liabilities		11,191,844,378	9,256,749,917
Non-current liabilities			
Payable to related party from offsetting of machinery purchase	5, 15	-	957,881,336
Employee benefit obligations	20	9,244,434	-
Total non-current liabilities		9,244,434	957,881,336
Total liabilities		11,201,088,812	10,214,631,253
Equity			
Share capital	22		
Authorised share capital		40,478,051,205	40,478,051,205
Issued and paid-up share capital		27,533,305,754	27,394,736,413
Warrants	23	147,991,749	311,689,469
Premium on ordinary shares	22	394,381,033	480,735,839
Retained earnings (Deficit)			
Appropriated			
Legal reserve	24	18,507,422	18,507,422
Deficit		(16,020,670,834)	(14,728,640,633)
Other components of equity	24	161,689,469	-
Total equity		12,235,204,593	13,477,028,510
Total liabilities and equity		23,436,293,405	23,691,659,763

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





STATEMENTS OF COMPREHENSIVE INCOME

G J Steel Public Company Limited
For the years ended 31 December 2011 and 2010

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	Note	2011	2010
		(in Baht)	
Income			
Revenue from sale of goods	5, 25, 32	18,607,439,588	15,158,067,870
Net foreign exchange gain		-	571,687,561
Reversal of provision for loss on confirmed purchase orders for undelivered raw material	21, 35.3	-	128,018,436
Reversal of bad and doubtful debts expense	8	20,216,889	275,750,771
Other income	5	71,518,618	31,784,541
Total income		18,699,175,095	16,165,309,179
Expenses			
Cost of sale of goods	5, 9, 29	17,933,176,677	14,845,299,405
Selling expenses	5, 26, 29	144,495,935	183,445,575
Administrative expenses	5, 27, 29, 40	1,122,278,756	1,465,531,809
Loss on devaluation of inventories	9	7,340,751	11,025,965
Loss on purchase of inferior raw material	21	-	100,084,678
Loss on confirmed purchase orders for undelivered raw material	21, 35.3	146,159,512	-
Losses related to performance guarantees	21	-	58,199,496
Loss on impairment of assets	12, 14	-	2,761,598,750
Net foreign exchange loss		289,935,243	-
Finance costs	5, 15, 30	347,818,422	411,661,140
Total expenses		19,991,205,296	19,836,846,818
Loss for the year		(1,292,030,201)	(3,671,537,639)
Other comprehensive income for the year		-	-
Total comprehensive income for the year		(1,292,030,201)	(3,671,537,639)
Loss per share	33		
Basic		(0.03)	(0.09)
Diluted		-	(0.07)

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



GJS

STATEMENTS OF CHANGES IN EQUITY

G J Steel Public Company Limited
For the years ended 31 December 2011 and 2010



	Note	Issued and paid-up share capital	Warrants	Share premium / (discount)	Retained earnings / (Deficit)		Other components of equity	Total equity
					Legal reserve	Deficit		
					(in Baht)			
Balance at 1 January 2010		27,394,674,313	161,693,969	480,508,859	18,507,422	(11,057,102,994)	-	16,998,281,569
Transactions with owners, recorded directly in equity								
<i>Contributions by and distributions to owners of the Company</i>								
Issue of ordinary shares	22	62,100	(4,500)	226,980	-	-	-	284,580
Issue of warrants	23	-	150,000,000	-	-	-	-	150,000,000
Total contributions by and distributions to owners of the Company		62,100	149,995,500	226,980	-	-	-	150,284,580
Comprehensive income for the year								
Loss for the year		-	-	-	-	(3,671,537,639)	-	(3,671,537,639)
Other comprehensive income		-	-	-	-	-	-	-
Total comprehensive income for the year		-	-	-	-	(3,671,537,639)	-	(3,671,537,639)
Balance at 31 December 2010		27,394,736,413	311,689,469	480,735,839	18,507,422	(14,728,640,633)	-	13,477,028,510
Balance at 1 January 2011		27,394,736,413	311,689,469	480,735,839	18,507,422	(14,728,640,633)	-	13,477,028,510
Transactions with owners, recorded directly in equity								
<i>Contributions by and distributions to owners of the Company</i>								
Issue of ordinary shares	22	138,569,341	(2,008,251)	(86,354,806)	-	-	-	50,206,284
Termination of warrants	24	-	(161,689,469)	-	-	-	161,689,469	-
Total contributions by and distributions to owners of the Company		138,569,341	(163,697,720)	(86,354,806)	-	-	161,689,469	50,206,284
Comprehensive income for the year								
Loss for the year		-	-	-	-	(1,292,030,201)	-	(1,292,030,201)
Other comprehensive income		-	-	-	-	-	-	-
Total comprehensive income for the year		-	-	-	-	(1,292,030,201)	-	(1,292,030,201)
Balance at 31 December 2011		27,533,305,754	147,991,749	394,381,033	18,507,422	(16,020,670,834)	161,689,469	12,235,204,593

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





STATEMENTS OF CASH FLOWS

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G J Steel Public Company Limited
For the years ended 31 December 2011 and 2010

	Note	2011	2010
		(in Baht)	
Cash flows from operating activities			
Loss for the year		(1,292,030,201)	(3,671,537,639)
<i>Adjustments for</i>			
Depreciation and amortisation	12, 13, 29	1,051,365,621	816,960,333
Interest income		(2,649,085)	(2,172,492)
Finance costs	30	347,818,422	411,661,140
Unrealised loss (gain) on exchange rate		187,265,621	(321,736,050)
Reversal of bad and doubtful debts expense	8	(20,216,889)	(275,750,771)
Loss on devaluation of inventories	9	7,340,751	11,025,965
(Reversal of) loss on confirmed purchase orders of undelivered raw material	21	146,159,512	(128,018,436)
Loss on purchase of inferior raw material	21	-	100,084,678
Losses related to performance guarantees	21	-	58,199,496
Provision for tax-related liabilities	21	137,420,327	438,125,815
Loss on impairment of assets	12, 14	-	2,761,598,750
Employee benefit expenses	20	9,244,434	-
Loss on write-off of assets		21,630	38,791,264
		571,740,143	237,232,053
<i>Changes in operating assets and liabilities</i>			
Trade accounts receivable		(22,739,646)	(404,667,270)
Inventories		(990,227,711)	9,726,295
Advances to suppliers		43,939,708	(27,044,537)
Other current assets		(11,557,759)	(164,523,407)
Receivables from former related parties		-	(765,546)
Other non-current assets		(90,745,311)	(45,902,849)
Trade accounts payable		1,580,575,708	(335,065,222)
Advances received from customers		(818,795,238)	(174,693,181)
Other payables and accrued expenses		(50,020,406)	519,972,692
Other current liabilities		(51,594,269)	511,202,184
Provision for tax-related liabilities paid	21	(16,431,443)	-
Income tax paid		-	(45,188)
Net cash provided by operating activities		144,143,776	125,426,024

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



GJS

STATEMENTS OF CASH FLOWS

G J Steel Public Company Limited
For the years ended 31 December 2011 and 2010



	Note	2011	2010
		(in Baht)	
<i>Cash flows from investing activities</i>			
Interest received		2,649,085	2,172,492
Increase in current investment		(2,041,537)	(1,838,338)
Increase in restricted deposits			
at financial institutions		-	(8,000,000)
Purchase of property, plant and equipment		(3,751,000)	(15,611,810)
Purchase of intangible assets		-	(16,642,784)
Advance for purchase of property, plant and equipment		(58,000,000)	(47,000,000)
Net cash used in investing activities		(61,143,452)	(86,920,440)
<i>Cash flows from financing activities</i>			
Finance cost paid		(145,299,573)	(173,759,604)
Proceeds from short-term loans from others		891,826,373	1,924,299,801
Repayment of short-term loans from others		(893,077,749)	(1,857,739,577)
Repayment of payable to related party from offsetting of machinery purchase		(11,693,942)	(67,856,686)
Proceeds from ordinary shares issued		50,206,284	284,580
Proceeds from warrants issued		-	150,000,000
Net cash used in financing activities		(108,038,607)	(24,771,486)
Net increase (decrease) in cash and cash equivalents		(25,038,283)	13,734,098
Cash and cash equivalents at 1 January		56,835,921	42,839,157
Effect of exchange rate changes on balances held in foreign currencies		466,608	262,666
Cash and cash equivalents at 31 December	7	32,264,246	56,835,921

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





STATEMENTS OF CASH FLOWS

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G J Steel Public Company Limited
For the years ended 31 December 2011 and 2010

	<i>Note</i>	2011	2010
		<i>(in Baht)</i>	
Non-cash transactions			
Offsetting between trade accounts receivable and payable for purchase of machinery	5, 8	-	353,289,659
Transfer of machinery payable to related parties	5(b)	-	33,501,147
Transfer of advance received from customers to trade accounts payable	5(c) iv	29,276,360	-
Offsetting between trade accounts receivable and trade accounts payable	8	228,169,099	-
Transfer of warrants to other components of equity	24	161,689,469	-

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1 General information and going concern

1.1 General information

G J Steel Public Company Limited (the “Company”), is incorporated in Thailand and has its registered office as follows:

Head office	:	88 Paso Tower, 24th Floor, Silom Road, Suriyawong, Bangrak, Bangkok (as of 3 March 2010 onwards).
Factory	:	358 Moo 6, Hemaraj Industrial Estate (Bowin) Highway 331, Tambol Bowin, Amphur Sriracha, Chonburi.

The Company was listed on the Stock Exchange of Thailand (the “SET”) on 2 July 1996.

The Company’s major shareholders during the financial year were Oriental Access Company Limited (“OAC”) (21.57% shareholding) and G Steel Public Company Limited (“G Steel”) (22.33% shareholding). Both companies were incorporated in Thailand. OAC is 99.98% owned by Siam Professional Holdings (“SPH”), a 99.99% owned subsidiary of G Steel.

The principal business of the Company is the manufacturing of various flat-rolled steel products.

1.2 The Company’s debt restructuring

Trade Creditors Restructuring

Since 31 December 2010, G Steel and the Company have entered into various debt restructuring agreements with certain offshore major trade creditors (the “Major Trade Creditors”) each with debt claims in excess of USD 2.5 million. The Company had entered into agreements with three Major Trade Creditors representing USD 63 million (Baht 2,005 million) of combined debt claims as at 31 December 2011.

Under the terms of the agreements with the Major Trade Creditors, G Steel and the Company have restructured the Major Trade Creditors claims as follows.

- Accrued interest on the Major Trade Creditors debts was capped at their 30 September 2010 amounts.
- G Steel and the Company have a repayment grace period through 31 December 2011 during which time they do not pay any debt service to the Major Trade Creditors.
- G Steel and the Company repay the debts owed to the Major Trade Creditors in accordance with the following schedule:
 - 5% paid upon acquisition of newly issued shares by a new investor
 - 10% paid in equal quarterly installments (2.50% per payment) during 2012
 - 15% paid in equal quarterly installments (3.75% per payment) during 2013
 - 20% paid in equal quarterly installments (5.00% per payment) during 2014



- 25% paid in equal quarterly installments (6.25% per payment) during 2015
- 25% paid in equal quarterly installments (6.25% per payment) during 2016
- Interest accrues during the repayment period at 1.00% per annum and is repaid in 4 equal quarterly installments in 2016

In addition to the Major Trade Creditors, the Company has entered into other debt restructuring agreements with other trade creditors (“Other Trade Creditors”) with varying repayment terms. The total of Other Trade Creditors claims restructured by the Company are Baht 1,112 million based on 31 December 2011 balances (2010: Baht 1,099 million).

The Company has defaulted on the repayment schedule agreed with certain creditors on 1 January 2012 which had outstanding claims totalling USD 64 million and Baht 1,071 million (totalling Baht 3,117 million). Under debt restructuring agreement, the Company has an obligation to pay interest for the amounts on which it defaulted on the repayment to some creditors, at the rate of 7.5% per annum from the date of default. The Company has entered into further negotiations with those creditors to extend the payment schedule. See further detail in Note 38 regarding Notice letters for an Event of default from major trade creditors.

Cash Settlement Agreements

During the year ended 31 December 2011, G Steel and the Company have entered into various Cash Settlement Agreements with various creditors (the “Creditors”) in addition to the agreements referred to in the paragraph *Trade Creditors Restructuring*. The Company owes the Creditors an aggregate of approximately USD 7.8 million and approximately Baht 69.6 million as at 31 December 2011. In exchange for the irrevocable release and discharge of all obligations of the Company towards the Creditors, the Company will make a so called Release Payment amounting to approximately USD 5.1 million and Baht 62.3 million on the following conditions:

- If Release Payments are made on or before the date specified in the respective agreements, the Company will be immediately and fully released of its obligations;
- If the Release Payment is not made on the specified date, the Cash Settlement Agreements will be terminated immediately.

The Company has not made the Release Payment on the specific date on each agreement. As at 31 December 2011, the Company has entered into negotiations with the Creditors to establish new conditions and payment dates.

Restructuring Debt of Major Trade Creditors with End-Use Customers

Under the terms of the agreements the Company has entered into with the two End-Use Customers, the Company has agreed to assume direct claim responsibility for the Intermediary’s failure to perform under contracts with the End-Use Customers. As the Company has arrived at this negotiated settlement with these two End-Use Customers (the two End-Use Customers are two of the three above-specified Major Trade Creditors), the Company has transferred provisions associated with the performance guarantees to accounts payable (see Note 21) and has recorded direct liabilities owed to the End-Use Customers in accordance with the above Major Trade Creditor restructuring terms (the “Company Performance Guarantee Settlement”). The direct liabilities owed as a result of the Company Performance Guarantee Settlement have been recorded in other payables and accrued expenses in the Company’s statements of financial position as at 31 December 2011 (see Note 17). G Steel will write-off the previously-provisioned USD 3.1 million accounts receivable owed by one of the End-Use Customers and used by that End-Use Customer to offset a portion of its performance guarantee claim (the “G Steel End-Use Customer Receivable Write-Off”). G Steel has been advised



by legal counsel that its claims associated with the G Steel End-Use Customer Receivable Write-Off are best pursued against the Intermediary and not the Company.

Furthermore, as one of the End-Use Customers was also the supplier of inferior raw materials sold to the Company, the Company and this End-Use Customer have reached an agreement as to how to settle the raw material claim in conjunction with their entrance into the debt restructuring agreement. The supplier of the inferior raw material, (also an End-Use Customer), has agreed to reduce its debt claim against the Company by USD 0.6 million (Baht 18 million) as full and final settlement for the Company's raw material claim.

As the Intermediary has inflicted significant economic damage on G Steel via the G Steel End-Use Customer Receivable Write-Off and the Company via the Company Performance Guarantee Settlement, G Steel and the Company believe that they are entitled to claims against the Intermediary. G Steel and the Company are currently evaluating their legal options and may merge their claims for the purpose of seeking relief from the Intermediary.

1.3 Lead Shareholder guarantee

On 17 May 2010, the Company's Board of Directors approved the execution of an agreement negotiated between G Steel's new management and G Steel's lead shareholder (the "Lead Shareholder") covering the following salient points:

- From time to time and in the ordinary course of business operations, the Company sold goods to certain customers. As a result of the financial crisis and the unprecedented volatility in commodity prices which occurred in late 2008, the customers had not yet paid the Company for such goods.
- The receivables from these customers have been outstanding and overdue and, as such, the Company has made allowance in full for the unpaid receivables. As at 31 December 2011, the gross receivables due to the Company amounted to Baht 424 million (2010: Baht 445 million). The Company is entitled to receive payment in full from the customers for these receivables and intends to vigorously pursue all legal remedies and rights available under the laws of the Kingdom of Thailand.
- In order to enhance the Company's equity value as it embarks on a recapitalization program, the Lead Shareholder has entered into an agreement with the Company and G Steel which provides for a three-year irrevocable guarantee in favour of the Company and G Steel covering full recovery of the aforementioned receivables.
- Additionally, in order to facilitate a complete recapitalization of the Company, the Lead Shareholder has agreed to allow professional management to operate the Company and to not be involved with the day-to-day operations of the Company or G Steel for a period of five (5) years.

On 11 August 2010, the Lead Shareholder agreed to cause another shareholder of G Steel ("Shareholder 2") to deposit 760 million shares in G Steel as collateral with a custodian designated by the Company as approved by the Board of Directors. Such shares were deposited with the custodian on 10 September 2010. The Company has decided not to recognise any asset in its financial statements in respect of this guarantee and pledge. Upon the earlier of (a) the closing of the transaction with AM, (b) the repayment by those accounts receivable or (c) the execution of the guarantee or pledge, the Company will reverse the allowances held in respect of these certain doubtful debts in full or in part.



1.4 Going concern

The Company made an operating loss for the year ended 31 December 2011 of Baht 1,292 million (2010: Baht 3,672 million). As at 31 December 2011, the Company had net current liabilities exceeding net current assets by Baht 8,582 million (2010: Baht 7,290 million) with many trade accounts payable to suppliers being significantly overdue for payment. During 2011 and 2010, the Company experienced severe liquidity problems due to limited working capital funding facilities being in place, with those that were in place bearing punitive capital costs. Moreover, the Company defaulted on the repayment schedule with creditors and also defaulted on repayment the Company's rehabilitation plan liabilities. The Company entered into negotiations with the creditors to extend the payment period.

Announced Transaction with a Strategic Partner

On 1 March 2011, G Steel's management obtained an investment commitment from ArcelorMittal Netherlands B.V. ("AM") who were seeking to complete an investment in the Company and G Steel. Commercial terms were agreed and equity subscription agreements and a loan agreement documenting the proposed investment were entered into by the Company, G Steel and AM. On 1 March 2011 the Board of Directors of both G Steel and the Company approved the execution of transaction documents governing a proposed investment by AM. The transaction involved a number of agreements outlined as follows.

G Steel Subscription Agreement

Under the terms of the equity subscription agreement between AM and G Steel (the "G Steel Subscription Agreement"), together with the announced approvals sought from the G Steel shareholders, AM would make an equity investment in G Steel by purchasing 11,919 million newly issued shares in G Steel at a minimum share price of Baht 0.63 per share (Baht 7,509 million). The investment by AM would provide AM with a 40.0% ownership position in G Steel.

The G Steel Subscription Agreement was subject to various conditions precedent, including:

- Establishment of a company to which several shareholders of G Steel have agreed to transfer their shares in G Steel such that the voting rights associated with a 9.9% fully-diluted ownership position in G Steel are controlled by AM
- Execution of a G Steel share escrow agreement under which several shareholders of G Steel will agree to escrow their shareholding in G Steel
- AM's completion of a confirmatory due diligence
- G Steel's and the Company's obtaining necessary third party consents, including required regulatory consents
- G Steel and the Company serving notice of termination to counterparties to collateral management agreements
- G Steel and the Company serving notice of termination to counterparties under related party arrangements as specified by AM
- Satisfactory completion of G Steel's and the Company's debt restructuring program
- All required G Steel and Company corporate approvals obtained
- The resignation of 11 G Steel directors and 7 Company directors
- Conversion of debts owed by the Company to G Steel and to OAC (subsequently defined as the G Steel Debt and the Overdue Service Balance, respectively) of Baht 1,645 million into equity of the Company
- Amendment of the Articles of Association of G Steel and the Company in order to increase the foreign shareholding limit of G Steel and the Company



Company Subscription Agreement

Under the terms of the equity subscription agreement between G Steel and the Company (the “Company Subscription Agreement”), together with the announced approvals being sought from the Company’s shareholders, G Steel would make a further equity investment in the Company by purchasing 15,000 million newly issued shares at a minimum share price of Baht 0.24 per share (Baht 3,600 million). The proceeds for G Steel’s cash equity subscription in the Company would originate from AM’s investment in G Steel via the G Steel Subscription Agreement. Following G Steel’s and OAC’s Baht 1,645 million conversion of debt claims in the Company to the Company’s equity, coupled with the investment via the Company Subscription Agreement, G Steel would own approximately 63.8% of the Company on a consolidated basis.

USD 500 million Credit Facility Agreement

Upon completion of AM’s 40.0% equity investment in G Steel, AM would provide a 5-year, unsecured, revolving credit facility (the “Credit Facility”) to G Steel and the Company totaling USD 500 million. The interest rate on the facility was 12.0% per annum. G Steel and the Company would share a 2.0% annual commitment fee on the Facility. The Credit Facility would be used by G Steel and the Company to support working capital, capital expenditure and general corporate purposes. A portion of the facility would be used to facilitate G Steel’s and the Company’s refinancing of their existing debts.

Business Assistance Agreement

AM agreed to provide G Steel and the Company with comprehensive management, procurement, global marketing and technology assistance under a 10-year business assistance agreement (the “Assistance Agreement”). AM would provide such services under the Assistance Agreement in accordance with the following terms:

- AM would be paid a fee equal to 2% of G Steel’s consolidated revenues subject to a maximum of USD 40 million per year (the “Service Fee”). The Service Fee will be paid by G Steel and the Company on the basis of relative annual revenues.
- The Service Fee would be paid on an annual basis (i) to the extent earnings before interest, taxes, depreciation and amortization (EBITDA), as measured by G Steel’s year-end audited financial statements, are at least two times the amount of the Service Fee prior to giving effect to the Service Fee and (ii) G Steel’s consolidated net debt is less than USD 450 million on a net present value basis.
- To the extent the aforementioned conditions are not achieved, the Service Fee will accrue without interest.
- The Assistance Agreement may be extended for a subsequent 10-year period at AM’s option.

The Company’s Extraordinary General Meeting of Shareholders

On 15 August 2011, the Company’s Extraordinary General Meeting of Shareholders (“EGM”) passed the following resolutions;

- 1 Acknowledgement of the rationale, necessity and basis of the transaction to increase of the Company’s registered capital by issuing 21,854,166,667 newly issued ordinary shares with the par value of Baht 0.69 per share and the allocation of up to 21,854,166,667 newly issued ordinary shares of the Company with the par value of Baht 0.69 per share to G Steel and OAC.



- 2 Approval of the increase of the Company's registered capital by Baht 15,079,375,000 from the existing registered capital of Baht 40,478,051,204.94 to Baht 55,557,426,204.94 by issuing 21,854,166,667 newly issued ordinary shares with the par value of Baht 0.69 per share.
- 3 Approval of the allocation of the Company's newly issued ordinary shares. In order to facilitate the Proposed Transaction, 21,854,166,667 newly issued ordinary shares shall be allocated as follows;
 - 6,854,166,667 newly issued ordinary shares with a par value of Baht 0.69 per share to G Steel and OAC at the price of Baht 0.24 per share.
 - Up to 15,000 million newly issued ordinary shares with a par value of Baht 0.69 per share to G Steel at the price of Baht 0.24 per share.
- 4 Approval of the connected transactions between the Company and the major shareholders of the Company (G Steel and OAC) and the Company and AM who will become a major shareholder of G Steel.
- 5 Approval of the Company to enter into the (i) Credit Facilities Agreement between G Steel and the Company (as the borrowers) and AM (as the lender) and (ii) Business Assistance Agreement between the Company, G Steel and AM. Refer to note 1.4 for the details of Credit Facility Agreement and Business Assistance Agreement.

Completion of the transaction is conditional on a reduction in the outstanding liabilities of G Steel and the Company and a range of other conditions.

Termination of Subscription Agreement between G Steel and AM

On 19 December 2011, G Steel received a notice of termination of the Share Subscription Agreement from AM, dated 15 December 2011, and G Steel has agreed to the termination of the Share Subscription Agreement by AM in accordance with the terms and conditions of the investment under the Share Subscription Agreement.

As a result of the termination of G Steel Shares Subscription Agreement, there is no longer a tender offer for G Steel's shares by AM nor a tender offer for the Company's shares by G Steel and OAC. In addition, the Board of Directors acknowledged and intended to submit to the Annual General Meeting of Shareholders in April 2012 a resolution to revoke resolution No. 1/2011 dated 15 August 2011 which approved the matters relating to the transactions with AM, including the increase of the Company's registered capital and allocation of newly issued shares to G Steel and OAC, the amendment to the Company's Articles of Association, the amendment to the conditions stated in the BOI certificates of the Company, and the entry into the Credit Facility Agreement and the Business Assistance Agreement between G Steel, the Company and AM.

The Company needs to generate sufficient cash flows to meet both its working capital requirements and its operating obligations. These circumstances would have given doubt on the Company's ability to continue as a going concern and to realise the carrying amounts of its assets. The financial statements do not include any adjustments that would be required (including any which may be required in relation to the valuation of the Company's assets) should the Company be unable to generate sufficient cash flows and/or raise additional financing from other sources in order to enable it to continue as a going concern.

The Company plans to address the liquidity problem by seeking a new potential investor, finding additional credit facilities from financial institutions both domestically and abroad, refinancing the existing debt from financial institutions, negotiating improved terms of payment with trade creditors, improving collection of receivables and increasing cash sales.



G Steel appointed an advisor on 28 October 2011 to source for new investors. Currently, G Steel and the advisor are negotiating with two potential investors (in addition to AM) together with debt restructure negotiations with creditors of G Steel and the Company.

Management's conclusion

The directors are confident that new investment will be completed in 2012 and will develop the Company's potential through and operational, financial and commercial turnaround. The financial statements of the Company have been prepared on a going concern basis on the assumption that the new investment will be successfully completed in 2012.

2 Basis of preparation of the financial statements

(a) Statement of compliance

The financial statements are prepared in accordance with Thai Financial Reporting Standards (TFRS) and guidelines promulgated by the Federation of Accounting Professions ("FAP"), applicable rules and regulations of the Thai Securities and Exchange Commission.

During 2010 and 2011, the FAP issued the following new and revised TFRS relevant to the Company's operations and effective for accounting periods beginning on or after 1 January 2011:

TFRS	Topic
TAS 1 (revised 2009)	Presentation of Financial Statements
TAS 2 (revised 2009)	Inventories
TAS 7 (revised 2009)	Statement of Cash Flows
TAS 8 (revised 2009)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2009)	Events after the Reporting Period
TAS 16 (revised 2009)	Property, Plant and Equipment
TAS 18 (revised 2009)	Revenue
TAS 19	Employee Benefits
TAS 23 (revised 2009)	Borrowing Costs
TAS 24 (revised 2009)	Related Party Disclosures
TAS 33 (revised 2009)	Earnings per Share
TAS 34 (revised 2009)	Interim Financial Reporting
TAS 36 (revised 2009)	Impairment of Assets
TAS 37 (revised 2009)	Provisions, Contingent Liabilities and Contingent Assets

TFRS

Topic

TAS 38 (revised 2009) Intangible Assets

The adoption of these new and revised TFRS has resulted in changes in the Company's accounting policies. The effects of these changes are disclosed in Note 3.

In addition to the above new and revised TFRS, the FAP has issued during 2010 a number of other new and revised TFRS which are expected to be effective for financial statements beginning on or after 1 January 2013 and have not been adopted in the preparation of these financial statements. These new and revised TFRS are disclosed in Note 39.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except as stated in the accounting policies.

(c) Presentation currency

The financial statements are prepared and presented in Thai Baht. All financial information presented in Thai Baht has been rounded in the notes to the financial statements to the nearest million unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with TFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements is included in the following notes:

Note 8	Allowance for doubtful accounts
Note 9	Allowance for devaluation of inventories
Note 12	Appraisal valuations and allowance for impairment of property, plant and equipment
Note 14	Appraisal valuations and allowance for impairment of suspended construction in progress
Notes 21 & 37	Provisions and Contingent liabilities
Note 34	Valuation of financial instruments

Depreciation method

The Company decided to change its depreciation method for certain machinery from a unit of production to a straight line basis (over an estimated economic useful life of 15-30 years). Refer to Note 3(c) for further details.



NOTES TO THE FINANCIAL STATEMENTS

G J Steel Public Company Limited

For the years ended 31 December 2011 and 2010



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- G Steel and the Company repay the debts owed to the Major Trade Creditors in accordance with the following schedule:
 - 5% paid upon acquisition of newly issued shares by a new investor
 - 10% paid in equal quarterly installments (2.50% per payment) during 2012
 - 15% paid in equal quarterly installments (3.75% per payment) during 2013
 - 20% paid in equal quarterly installments (5.00% per payment) during 2014



- 25% paid in equal quarterly installments (6.25% per payment) during 2015
- 25% paid in equal quarterly installments (6.25% per payment) during 2016
- Interest accrues during the repayment period at 1.00% per annum and is repaid in 4 equal quarterly installments in 2016

In addition to the Major Trade Creditors, the Company has entered into other debt restructuring agreements with other trade creditors (“Other Trade Creditors”) with varying repayment terms. The total of Other Trade Creditors claims restructured by the Company are Baht 1,112 million based on 31 December 2011 balances (2010: Baht 1,099 million).

The Company has defaulted on the repayment schedule agreed with certain creditors on 1 January 2012 which had outstanding claims totalling USD 64 million and Baht 1,071 million (totalling Baht 3,117 million). Under debt restructuring agreement, the Company has an obligation to pay interest for the amounts on which it defaulted on the repayment to some creditors, at the rate of 7.5% per annum from the date of default. The Company has entered into further negotiations with those creditors to extend the payment schedule. See further detail in Note 38 regarding Notice letters for an Event of default from major trade creditors.

Cash Settlement Agreements

During the year ended 31 December 2011, G Steel and the Company have entered into various Cash Settlement Agreements with various creditors (the “Creditors”) in addition to the agreements referred to in the paragraph *Trade Creditors Restructuring*. The Company owes the Creditors an aggregate of approximately USD 7.8 million and approximately Baht 69.6 million as at 31 December 2011. In exchange for the irrevocable release and discharge of all obligations of the Company towards the Creditors, the Company will make a so called Release Payment amounting to approximately USD 5.1 million and Baht 62.3 million on the following conditions:

- If Release Payments are made on or before the date specified in the respective agreements, the Company will be immediately and fully released of its obligations;
- If the Release Payment is not made on the specified date, the Cash Settlement Agreements will be terminated immediately.

The Company has not made the Release Payment on the specific date on each agreement. As at 31 December 2011, the Company has entered into negotiations with the Creditors to establish new conditions and payment dates.

Restructuring Debt of Major Trade Creditors with End-Use Customers

Under the terms of the agreements the Company has entered into with the two End-Use Customers, the Company has agreed to assume direct claim responsibility for the Intermediary’s failure to perform under contracts with the End-Use Customers. As the Company has arrived at this negotiated settlement with these two End-Use Customers (the two End-Use Customers are two of the three above-specified Major Trade Creditors), the Company has transferred provisions associated with the performance guarantees to accounts payable (see Note 21) and has recorded direct liabilities owed to the End-Use Customers in accordance with the above Major Trade Creditor restructuring terms (the “Company Performance Guarantee Settlement”). The direct liabilities owed as a result of the Company Performance Guarantee Settlement have been recorded in other payables and accrued expenses in the Company’s statements of financial position as at 31 December 2011 (see Note 17). G Steel will write-off the previously-provisioned USD 3.1 million accounts receivable owed by one of the End-Use Customers and used by that End-Use Customer to offset a portion of its performance guarantee claim (the “G Steel End-Use Customer Receivable Write-Off”). G Steel has been advised



(d) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is calculated using the weighted average method cost principle, and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of finished goods and work-in-progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to complete and to make the sale.

An allowance is made for all deteriorated, damaged, obsolete and slow-moving inventories.

The Company recognises an asset and corresponding liability in respect of consignment inventories once the Company obtains the rights and responsibilities of legal and economic ownership.

(e) Investments*Other investments*

Other long-term investments represent time deposits with banks which have been pledged as collateral for credit facilities obtained from the banks and are stated at cost.

Disposal of investments

On disposal of an investment, the difference between net disposal proceeds and the carrying amount together with the associated cumulative gain or loss that was reported in equity is recognised in profit or loss.

(f) Property, plant and equipment*Owned assets*

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Cost also may include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is calculated based on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is charged to profit or loss on the straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. The estimated useful lives are as follows:

Land improvements	20 years
Buildings	20 - 50 years (Refer to Note 3(c) for further details)
Machinery and equipment	15 - 30 years (Refer to Note 2(d) and 3(c) for further details)
Furniture and fixtures	5 years
Office equipment	5 years
Vehicles	5 years

No depreciation is provided on freehold land or assets under construction.

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

(g) Intangible assets

Intangible assets represent the cost of computer software and a production license. These intangible assets that are acquired by the Company and have finite useful live are measured at cost less accumulated amortisation and impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

Computer software license	10 years
Production license	25 years

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

(h) *Deferred costs of rolls*

Deferred costs of rolls are stated at cost less accumulated amortisation. Amortisation is based on consumption.

(i) *Impairment*

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognised in profit or loss unless it reverses a previous revaluation credited to equity, in which case it is charged to equity.

Calculation of recoverable amount

The recoverable amount of non-financial assets is the greater of the asset's value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss in respect of a financial asset is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised in profit or loss.

Impairment losses recognised in prior periods in respect of non-financial assets are assessed at each reporting date for any indications that the losses have decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) *Interest-bearing liabilities*

Interest-bearing liabilities are recognised initially at fair value less attributable transaction charges. Subsequent to initial recognition, interest-bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective interest basis.



(k) Trade and other accounts payable

Trade and other accounts payable are stated at cost.

(l) Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realisable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

The Company recognises all actuarial gains and losses arising from defined benefit plans in other comprehensive income and all expenses related to defined benefit plans in profit or loss.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(m) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting the Company's obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.

(n) Revenue

Revenue excludes value added taxes and is arrived at after deduction of trade discounts.

Sale of goods

Revenue is recognised in profit and loss when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there is continuing management involvement with the goods or there are significant uncertainties regarding recovery of the consideration due, associated costs or the probable return of goods.

Interest income

Interest income is recognised in profit or loss as it accrues.

(o) Finance costs

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and contingent consideration, losses on disposal of available-for-sale financial assets, dividends on preference shares classified as liabilities, fair value losses on financial assets at fair value through profit or loss, impairment losses recognised on financial assets (other than trade receivables), and losses on hedging instruments that are recognised in profit or loss.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

(p) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Company determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Company the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Company's incremental borrowing rate.

(q) Income tax

Income tax expense for the year comprises current tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

In determining the amount of current tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

(r) Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

5 Related parties

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.



Relationships with related parties were as follows:

Name of entities	Country of incorporation/ Nationality	Type of business	Nature of Relationships
G Steel	Thailand	Manufacture and sale of steel	Parent company
OAC	Thailand	Business consulting services	Subsidiary of G Steel and Company shareholder
SSP Place Co., Ltd.	Thailand	Office rental	Common director
Mill Con Steel Industries PCL.	Thailand	Manufacture and sale of steel bars	Common director
Asia Metal PCL.	Thailand	Manufacture and sale of steel	Common director
Millcon Burapa Co., Ltd. (Formerly: BRP Steel Co., Ltd.)	Thailand	Manufacture and sale of steel bars	Common director
Million Miles Co., Ltd.	Thailand	Transportation	Common director
Ocean Profit Co., Ltd.	Thailand	Manufacture and sale of steel	Common director
Siam Professional Holdings Co., Ltd.	Thailand	Holding company	Common director
Arnoma Hotel Bangkok Co., Ltd.	Thailand	Hotel, food and beverage	Common executive
Thailand Iron Works PCL.	Thailand	Manufacture and sale of galvanised steel	Common director
Great Siam Steel Works Co., Ltd. (Formerly: Great Eastern International Co., Ltd.)	Thailand	Sale of rolled steel	Common director
Intelligent System Network Co., Ltd.	Thailand	Sale of computer hardware, software and system installation	Common director
Felix River Kwai Resort (Kanchanaburi) Co., Ltd.	Thailand	Hotel, food and beverage	Common director
Turnaround Steel Management LLC	U.S.A.	Financial advisory & management services	Common director until 17 June 2011
Global Principal Partners LLC	U.S.A.	Financial advisory services	Common director until 17 June 2011
Key management personnel	Thailand	-	Persons having authority and responsibility for planning directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the Company



by legal counsel that its claims associated with the G Steel End-Use Customer Receivable Write-Off are best pursued against the Intermediary and not the Company.

Furthermore, as one of the End-Use Customers was also the supplier of inferior raw materials sold to the Company, the Company and this End-Use Customer have reached an agreement as to how to settle the raw material claim in conjunction with their entrance into the debt restructuring agreement. The supplier of the inferior raw material, (also an End-Use Customer), has agreed to reduce its debt claim against the Company by USD 0.6 million (Baht 18 million) as full and final settlement for the Company's raw material claim.

As the Intermediary has inflicted significant economic damage on G Steel via the G Steel End-Use Customer Receivable Write-Off and the Company via the Company Performance Guarantee Settlement, G Steel and the Company believe that they are entitled to claims against the Intermediary. G Steel and the Company are currently evaluating their legal options and may merge their claims for the purpose of seeking relief from the Intermediary.

1.3 Lead Shareholder guarantee

On 17 May 2010, the Company's Board of Directors approved the execution of an agreement negotiated between G Steel's new management and G Steel's lead shareholder (the "Lead Shareholder") covering the following salient points:

- From time to time and in the ordinary course of business operations, the Company sold goods to certain customers. As a result of the financial crisis and the unprecedented volatility in commodity prices which occurred in late 2008, the customers had not yet paid the Company for such goods.
- The receivables from these customers have been outstanding and overdue and, as such, the Company has made allowance in full for the unpaid receivables. As at 31 December 2011, the gross receivables due to the Company amounted to Baht 424 million (2010: Baht 445 million). The Company is entitled to receive payment in full from the customers for these receivables and intends to vigorously pursue all legal remedies and rights available under the laws of the Kingdom of Thailand.
- In order to enhance the Company's equity value as it embarks on a recapitalization program, the Lead Shareholder has entered into an agreement with the Company and G Steel which provides for a three-year irrevocable guarantee in favour of the Company and G Steel covering full recovery of the aforementioned receivables.
- Additionally, in order to facilitate a complete recapitalization of the Company, the Lead Shareholder has agreed to allow professional management to operate the Company and to not be involved with the day-to-day operations of the Company or G Steel for a period of five (5) years.

On 11 August 2010, the Lead Shareholder agreed to cause another shareholder of G Steel ("Shareholder 2") to deposit 760 million shares in G Steel as collateral with a custodian designated by the Company as approved by the Board of Directors. Such shares were deposited with the custodian on 10 September 2010. The Company has decided not to recognise any asset in its financial statements in respect of this guarantee and pledge. Upon the earlier of (a) the closing of the transaction with AM, (b) the repayment by those accounts receivable or (c) the execution of the guarantee or pledge, the Company will reverse the allowances held in respect of these certain doubtful debts in full or in part.



1.4 Going concern

The Company made an operating loss for the year ended 31 December 2011 of Baht 1,292 million (2010: Baht 3,672 million). As at 31 December 2011, the Company had net current liabilities exceeding net current assets by Baht 8,582 million (2010: Baht 7,290 million) with many trade accounts payable to suppliers being significantly overdue for payment. During 2011 and 2010, the Company experienced severe liquidity problems due to limited working capital funding facilities being in place, with those that were in place bearing punitive capital costs. Moreover, the Company defaulted on the repayment schedule with creditors and also defaulted on repayment the Company's rehabilitation plan liabilities. The Company entered into negotiations with the creditors to extend the payment period.

Announced Transaction with a Strategic Partner

On 1 March 2011, G Steel's management obtained an investment commitment from ArcelorMittal Netherlands B.V. ("AM") who were seeking to complete an investment in the Company and G Steel. Commercial terms were agreed and equity subscription agreements and a loan agreement documenting the proposed investment were entered into by the Company, G Steel and AM. On 1 March 2011 the Board of Directors of both G Steel and the Company approved the execution of transaction documents governing a proposed investment by AM. The transaction involved a number of agreements outlined as follows.

G Steel Subscription Agreement

Under the terms of the equity subscription agreement between AM and G Steel (the "G Steel Subscription Agreement"), together with the announced approvals sought from the G Steel shareholders, AM would make an equity investment in G Steel by purchasing 11,919 million newly issued shares in G Steel at a minimum share price of Baht 0.63 per share (Baht 7,509 million). The investment by AM would provide AM with a 40.0% ownership position in G Steel.

The G Steel Subscription Agreement was subject to various conditions precedent, including:

- Establishment of a company to which several shareholders of G Steel have agreed to transfer their shares in G Steel such that the voting rights associated with a 9.9% fully-diluted ownership position in G Steel are controlled by AM
- Execution of a G Steel share escrow agreement under which several shareholders of G Steel will agree to escrow their shareholding in G Steel
- AM's completion of a confirmatory due diligence
- G Steel's and the Company's obtaining necessary third party consents, including required regulatory consents
- G Steel and the Company serving notice of termination to counterparties to collateral management agreements
- G Steel and the Company serving notice of termination to counterparties under related party arrangements as specified by AM
- Satisfactory completion of G Steel's and the Company's debt restructuring program
- All required G Steel and Company corporate approvals obtained
- The resignation of 11 G Steel directors and 7 Company directors
- Conversion of debts owed by the Company to G Steel and to OAC (subsequently defined as the G Steel Debt and the Overdue Service Balance, respectively) of Baht 1,645 million into equity of the Company
- Amendment of the Articles of Association of G Steel and the Company in order to increase the foreign shareholding limit of G Steel and the Company



Significant agreement with related parties

a) According to an agreement executed on 11 September 2006, the Company's plan administrator for purposes of the business rehabilitation plan (the "Plan Administrator") entered into an operation service agreement with OAC and On City Holding Limited to (i) arrange working capital credit lines for the Company's operations and (ii) act as its strategic advisor to provide services in relation to the execution of the rehabilitation plan (the "Plan") during the term of the Plan, including the procurement of raw materials, production of products, sales, marketing, promotion and distribution of products into both domestic and export markets. Fees to be paid to OAC are as follows:

- Operating fee of USD 400,000 per month
- Maintenance management fee of USD 375,000 per quarter
- Technical assistance fee of USD 500,000 per quarter
- Minimum revenue sharing of USD 400,000 per month

The agreement period was 5 years with options to renew, and the agreement commenced on 12 September 2006.

On 21 December 2006, the Plan Administrator and OAC agreed that the maximum fee payable under the operation service agreement should not exceed USD 13 million per annum, and the fees in relation to arrangement fee and revenue sharing in excess of the said minimum revenue sharing would be irrevocably waived.

If the Company chooses to terminate the operation service agreement prior to the expiration of the term of the operation service agreement, the Company would be required to pay OAC the termination fees as specified in the agreement upon such termination.

In September 2011, the operation service agreement was due without continuing the agreement. The Company was USD 28 million (Baht 905 million) in arrears ("Overdue Service Balances") under the terms of the agreement with OAC as at 31 December 2011 (*2010: Baht 577 million*). While OAC has not assessed any interest or fees for the Company's failure to pay amounts under the agreement when due, the Company's understanding with OAC is that the Company will make periodic payments to OAC against the Overdue Service Balances when cash resources are available to do so.

Refer to Note 1.4, during 2011, the Board of Directors acknowledged and intended to submit to the Annual General Meeting of Shareholders in April 2012 a resolution to revoke resolution dated 15 August 2011 which approved the matters relating to the transactions with AM, including the cancellation of conversion of debts, of the Overdue Service Balances owed by the Company to OAC, to the Company's ordinary shares.

- b) In 2009, the Company entered into an agreement with an overseas counterparty (“Counterparty A”), which is also a debtor of G Steel in respect of sale of scrap made by G Steel to Counterparty A, to purchase machinery from Counterparty A for Baht 1,017 million (USD 29.8 million). The Company, G Steel and Counterparty A subsequently agreed to settle the outstanding debt owed by Counterparty A to G Steel by offsetting its debt to G Steel against the amount due to Counterparty A from the Company for the machinery purchase. Subsequently, the parties agreed to fix the USD/Baht exchange rate for the machinery purchase. As a result, the USD 29.8 million purchase price was converted to Baht 992 million. The Baht 992 million originally owed to Counterparty A was then owed to G Steel by virtue of the aforementioned transaction. At a Board of Directors’ meeting of the Company held on 6 November 2009, the Board of Directors passed a resolution concerning the terms of payment of the amount payable to G Steel. The repayment period is 3 years from 1 November 2009 to 31 October 2012. Interest is payable on the outstanding amount at MLR+1% with a grace period of 90 days. Payments made by the Company shall be deducted first from outstanding interest payable with any remaining balance deducted from outstanding principal. The amount payable to G Steel was classified as a non-current liabilities as at 31 December 2010.

Refer to Note 1.4, during 2011, the Board of Directors acknowledged and intended to submit to the Annual General Meeting of Shareholders in April 2012 a resolution to revoke resolution dated 15 August 2011 which approved the matters relating to the transactions with AM, including the cancellation of conversation of debts, owed by the Company to G Steel, to the Company’s ordinary shares.

- c) The chronology of other offsetting transactions ultimately involving the Company and G Steel is as follows:
- i. On 17 May 2010, the Company’s Board of Directors acknowledged the offset of receivables due from an overseas counterparty (“Counterparty D”) (USD 10.4 million, equivalent to Baht 353 million) and payables due to Counterparty A, a company related to Counterparty D. The Company’s Board of Directors approved an agreement documenting the Company’s offset of these balances. The accounts receivable amounts due from Counterparty D had previously been fully provisioned. Following this transaction, the Company had a net payable balance due to Counterparty A of Baht 51 million.
 - ii. On 10 June 2010, the Company’s Board of Directors acknowledged that Baht 33 million (USD 1.04 million) of the amounts owed by the Company to Counterparty A were subrogated in favour of G Steel. G Steel subrogated these rights as a result of further amounts owed by Counterparty A to G Steel. Following the acceptance of the subrogation rights, the amount owed by the Company to Counterparty A, after allowing for changes in foreign exchange rates, was Baht 14 million (USD 0.5 million).
 - iii. On 11 August 2010, the Board of Directors passed a resolution concerning the terms of payment of G Steel’s subrogation right from Counterparty A. The repayment period is 3 years from 16 August 2010 to 15 August 2013. Interest is payable on the outstanding amount at MLR+1% with a grace period of 90 days. Payments made by the Company shall be deducted first from outstanding interest payable with any remaining balance deducted from outstanding principal. The amounts owed by the Company to G Steel under this paragraph 5(b) (the “G Steel Debt”) as at 31 December 2011 were Baht 946 million (*2010: Baht 958 million*). Refer to Note 1.4 for details of agreements with respect to the G Steel Debt.
 - iv. During the year ended 31 December 2011, the Company entered into a memorandum of understanding to offset an advance received from a customer amounting to Baht 29 million with an amount payable to the same customer by G Steel.



Company Subscription Agreement

Under the terms of the equity subscription agreement between G Steel and the Company (the “Company Subscription Agreement”), together with the announced approvals being sought from the Company’s shareholders, G Steel would make a further equity investment in the Company by purchasing 15,000 million newly issued shares at a minimum share price of Baht 0.24 per share (Baht 3,600 million). The proceeds for G Steel’s cash equity subscription in the Company would originate from AM’s investment in G Steel via the G Steel Subscription Agreement. Following G Steel’s and OAC’s Baht 1,645 million conversion of debt claims in the Company to the Company’s equity, coupled with the investment via the Company Subscription Agreement, G Steel would own approximately 63.8% of the Company on a consolidated basis.

USD 500 million Credit Facility Agreement

Upon completion of AM’s 40.0% equity investment in G Steel, AM would provide a 5-year, unsecured, revolving credit facility (the “Credit Facility”) to G Steel and the Company totaling USD 500 million. The interest rate on the facility was 12.0% per annum. G Steel and the Company would share a 2.0% annual commitment fee on the Facility. The Credit Facility would be used by G Steel and the Company to support working capital, capital expenditure and general corporate purposes. A portion of the facility would be used to facilitate G Steel’s and the Company’s refinancing of their existing debts.

Business Assistance Agreement

AM agreed to provide G Steel and the Company with comprehensive management, procurement, global marketing and technology assistance under a 10-year business assistance agreement (the “Assistance Agreement”). AM would provide such services under the Assistance Agreement in accordance with the following terms:

- AM would be paid a fee equal to 2% of G Steel’s consolidated revenues subject to a maximum of USD 40 million per year (the “Service Fee”). The Service Fee will be paid by G Steel and the Company on the basis of relative annual revenues.
- The Service Fee would be paid on an annual basis (i) to the extent earnings before interest, taxes, depreciation and amortization (EBITDA), as measured by G Steel’s year-end audited financial statements, are at least two times the amount of the Service Fee prior to giving effect to the Service Fee and (ii) G Steel’s consolidated net debt is less than USD 450 million on a net present value basis.
- To the extent the aforementioned conditions are not achieved, the Service Fee will accrue without interest.
- The Assistance Agreement may be extended for a subsequent 10-year period at AM’s option.

The Company’s Extraordinary General Meeting of Shareholders

On 15 August 2011, the Company’s Extraordinary General Meeting of Shareholders (“EGM”) passed the following resolutions;

- 1 Acknowledgement of the rationale, necessity and basis of the transaction to increase of the Company’s registered capital by issuing 21,854,166,667 newly issued ordinary shares with the par value of Baht 0.69 per share and the allocation of up to 21,854,166,667 newly issued ordinary shares of the Company with the par value of Baht 0.69 per share to G Steel and OAC.



- 2 Approval of the increase of the Company's registered capital by Baht 15,079,375,000 from the existing registered capital of Baht 40,478,051,204.94 to Baht 55,557,426,204.94 by issuing 21,854,166,667 newly issued ordinary shares with the par value of Baht 0.69 per share.
- 3 Approval of the allocation of the Company's newly issued ordinary shares. In order to facilitate the Proposed Transaction, 21,854,166,667 newly issued ordinary shares shall be allocated as follows;
 - 6,854,166,667 newly issued ordinary shares with a par value of Baht 0.69 per share to G Steel and OAC at the price of Baht 0.24 per share.
 - Up to 15,000 million newly issued ordinary shares with a par value of Baht 0.69 per share to G Steel at the price of Baht 0.24 per share.
- 4 Approval of the connected transactions between the Company and the major shareholders of the Company (G Steel and OAC) and the Company and AM who will become a major shareholder of G Steel.
- 5 Approval of the Company to enter into the (i) Credit Facilities Agreement between G Steel and the Company (as the borrowers) and AM (as the lender) and (ii) Business Assistance Agreement between the Company, G Steel and AM. Refer to note 1.4 for the details of Credit Facility Agreement and Business Assistance Agreement.

Completion of the transaction is conditional on a reduction in the outstanding liabilities of G Steel and the Company and a range of other conditions.

Termination of Subscription Agreement between G Steel and AM

On 19 December 2011, G Steel received a notice of termination of the Share Subscription Agreement from AM, dated 15 December 2011, and G Steel has agreed to the termination of the Share Subscription Agreement by AM in accordance with the terms and conditions of the investment under the Share Subscription Agreement.

As a result of the termination of G Steel Shares Subscription Agreement, there is no longer a tender offer for G Steel's shares by AM nor a tender offer for the Company's shares by G Steel and OAC. In addition, the Board of Directors acknowledged and intended to submit to the Annual General Meeting of Shareholders in April 2012 a resolution to revoke resolution No. 1/2011 dated 15 August 2011 which approved the matters relating to the transactions with AM, including the increase of the Company's registered capital and allocation of newly issued shares to G Steel and OAC, the amendment to the Company's Articles of Association, the amendment to the conditions stated in the BOI certificates of the Company, and the entry into the Credit Facility Agreement and the Business Assistance Agreement between G Steel, the Company and AM.

The Company needs to generate sufficient cash flows to meet both its working capital requirements and its operating obligations. These circumstances would have given doubt on the Company's ability to continue as a going concern and to realise the carrying amounts of its assets. The financial statements do not include any adjustments that would be required (including any which may be required in relation to the valuation of the Company's assets) should the Company be unable to generate sufficient cash flows and/or raise additional financing from other sources in order to enable it to continue as a going concern.

The Company plans to address the liquidity problem by seeking a new potential investor, finding additional credit facilities from financial institutions both domestically and abroad, refinancing the existing debt from financial institutions, negotiating improved terms of payment with trade creditors, improving collection of receivables and increasing cash sales.



G Steel appointed an advisor on 28 October 2011 to source for new investors. Currently, G Steel and the advisor are negotiating with two potential investors (in addition to AM) together with debt restructure negotiations with creditors of G Steel and the Company.

Management's conclusion

The directors are confident that new investment will be completed in 2012 and will develop the Company's potential through and operational, financial and commercial turnaround. The financial statements of the Company have been prepared on a going concern basis on the assumption that the new investment will be successfully completed in 2012.

2 Basis of preparation of the financial statements

(a) Statement of compliance

The financial statements are prepared in accordance with Thai Financial Reporting Standards (TFRS) and guidelines promulgated by the Federation of Accounting Professions ("FAP"), applicable rules and regulations of the Thai Securities and Exchange Commission.

During 2010 and 2011, the FAP issued the following new and revised TFRS relevant to the Company's operations and effective for accounting periods beginning on or after 1 January 2011:

TFRS	Topic
TAS 1 (revised 2009)	Presentation of Financial Statements
TAS 2 (revised 2009)	Inventories
TAS 7 (revised 2009)	Statement of Cash Flows
TAS 8 (revised 2009)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2009)	Events after the Reporting Period
TAS 16 (revised 2009)	Property, Plant and Equipment
TAS 18 (revised 2009)	Revenue
TAS 19	Employee Benefits
TAS 23 (revised 2009)	Borrowing Costs
TAS 24 (revised 2009)	Related Party Disclosures
TAS 33 (revised 2009)	Earnings per Share
TAS 34 (revised 2009)	Interim Financial Reporting
TAS 36 (revised 2009)	Impairment of Assets
TAS 37 (revised 2009)	Provisions, Contingent Liabilities and Contingent Assets

TFRS

Topic

TAS 38 (revised 2009) Intangible Assets

The adoption of these new and revised TFRS has resulted in changes in the Company's accounting policies. The effects of these changes are disclosed in Note 3.

In addition to the above new and revised TFRS, the FAP has issued during 2010 a number of other new and revised TFRS which are expected to be effective for financial statements beginning on or after 1 January 2013 and have not been adopted in the preparation of these financial statements. These new and revised TFRS are disclosed in Note 39.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except as stated in the accounting policies.

(c) Presentation currency

The financial statements are prepared and presented in Thai Baht. All financial information presented in Thai Baht has been rounded in the notes to the financial statements to the nearest million unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with TFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements is included in the following notes:

Note 8	Allowance for doubtful accounts
Note 9	Allowance for devaluation of inventories
Note 12	Appraisal valuations and allowance for impairment of property, plant and equipment
Note 14	Appraisal valuations and allowance for impairment of suspended construction in progress
Notes 21 & 37	Provisions and Contingent liabilities
Note 34	Valuation of financial instruments

Depreciation method

The Company decided to change its depreciation method for certain machinery from a unit of production to a straight line basis (over an estimated economic useful life of 15-30 years). Refer to Note 3(c) for further details.



3 Changes in accounting policies

(a) Overview

From 1 January 2011, consequent to the adoption of new and revised TFRS as set out in Note 2, the Company has changed its accounting policies in the following areas:

- Presentation of financial statements
- Accounting for property, plant and equipment
- Accounting for borrowing costs
- Accounting for employee benefits

Details of the new accounting policies adopted by the Company and the impact of the changes on the financial statements are included in Notes 3(b) to 3(e) below. Other new and revised TFRS did not have any impact on the accounting policies, financial position or performance of the Company. The adoption had no impact on the financial position or performance of the Company as at and for the year ended 31 December 2010. The impact of the changes on the financial statements for the year ended 31 December 2011 is summarised as follows:

<i>For the year ended 31 December 2011</i>	<i>Note</i>	<i>(in million Baht)</i>
Statement of comprehensive income for the year ended 31 December 2011		
Increase in loss as a result of the adoption of:		
TAS 16 Property, plant and equipment	3(c)	226
TAS 19 Employee benefits	3(e)	9
Increase in loss		235
Increase in loss per share:		
- Basic loss per share (<i>in Baht</i>)		0.0059

(b) Presentation of financial statements

From 1 January 2011, the Company has adopted TAS 1 Presentation of Financial Statements (Revised 2009). Under the revised standard, a set of financial statements comprises:

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

As a result, the Company presents all owner changes in equity in the statement of changes in equity and all non-owner changes in equity in the statement of comprehensive income. Previously, all such changes were included in the statement of changes in equity.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on reported loss or loss per share.



(c) Accounting for property, plant and equipment

From 1 January 2011, the Company has adopted TAS 16 (revised 2009) Property, Plant and Equipment in determining and accounting for the cost and depreciable amount of property, plant and equipment.

The principal changes introduced by the revised TAS 16 and affecting the Company are that (i) costs of asset dismantlement, removal and restoration have to be included as asset costs and subject to annual depreciation; (ii) the depreciation charge has to be determined separately for each significant part of an asset; and (iii) in determining the depreciable amount, the residual value of an item of property, plant and equipment has to be measured at the amount estimated receivable currently for the asset if the asset were already of the age and in the condition expected at the end of its useful life. Furthermore, the residual value and useful life of an asset have to be reviewed at least at each financial year-end.

The changes have been applied prospectively in accordance with the transitional provisions of the revised standard. The change have had the following impact on the 2011 financial statements is summarised as follows:

	<i>(in million Baht)</i>
Statement of comprehensive income for the year ended 31 December 2011	
Increase in depreciation charge resulting in increase in:	
Cost of sales	226
Increase in loss	226
Increase in loss per share:	
- Basic loss per share <i>(in Baht)</i>	0.0057

(d) Accounting for borrowing costs

From 1 January 2011, the Company has adopted TAS 23 (revised 2009) Borrowing Costs.

Under the revised standard, borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Under the former standard, there was also an option to expense borrowing costs on qualifying assets when incurred.

It was the Company's policy under the former TAS 23 to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. Consequently, the adoption of the revised standard has had no impact on reported loss or loss per share.

(e) Accounting for employee benefits

From 1 January 2011, the Company has adopted TAS 19 Employee Benefits.

Under the new policy, the Company's liability for post-employment benefits and other long-term employee benefit obligations is recognised in the financial statements based on calculations performed annually by a qualified actuary using the projected unit credit method. Previously, this liability was recognised as and when payments were made.

The Company's liability for post-employment benefits and other long-term employee benefit obligations as at 1 January 2011 has been determined to be Baht 24 million. The Company has opted to record the entire amount of this liability as an expense through profit or loss on a straight-line basis



over five years from the date of adoption of TAS 19, in accordance with the transitional provisions of TAS 19. The impact on the 2011 financial statements was as follows:

	<i>(in million Baht)</i>
<i>Statement of financial position as at 31 December 2011</i>	
Present value of unfunded obligation	28
Unrecognised transitional obligation	(19)
Statement of financial position obligation	9
Increase in employee benefit obligations	9
Increase in deficit	9
<i>Statement of comprehensive income for year ended 31 December 2011</i>	
Increase in employee expenses resulting in:	
Increase in cost of sales and administrative expenses	9
Increase in loss	9
Increase in loss per share:	
- Basic loss per share <i>(in Baht)</i>	0.0002

4 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except as explained in note 3, which addresses changes in accounting policies.

(a) Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to Thai Baht at the foreign exchange rates ruling at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Thai Baht at the foreign exchange rates ruling at that date. Foreign exchange differences arising on transaction are recognised in profit or loss.

Non-monetary assets and liabilities measured at cost in foreign currencies are translated to Thai Baht using the foreign exchange rates ruling at the dates of the transactions.

(b) Cash and cash equivalents

Cash and cash equivalents in the statements of cash flows comprise cash balances, call deposits and high liquidity short-term investments. Bank overdrafts that are repayable on demand are a component of financing activities for the purpose of the statement of cash flows.

(c) Trade and other accounts receivable

Trade and other accounts receivable are stated at their invoice value less allowance for doubtful accounts.

The allowance for doubtful accounts is assessed primarily on analysis of payment histories and future expectations of customer payments. Bad debts are written off when incurred.



The cost of the Company's fully depreciated property, plant and equipment that was still in use amounted to Baht 228 million as at 31 December 2011 (*2010: Baht 187 million*).

As at 31 December 2011 the Company's property, plant and equipment and construction in progress, with a net book value of Baht 13,350 million, were mortgaged under the rehabilitation plan (*2010: Baht 14,162 million*).

On 19 July 2010, the Company's Board of Directors approved a mortgage transaction with the Provincial Electricity Authority in the amount of Baht 262 million. Under this mortgage, a portion of the Company's skin pass machinery together with a portion of land with a net book value of Baht 739 million is mortgaged as security for the Company's long-overdue electricity expenses in an amount not exceeding Baht 262 million. On 22 February 2011, the Company registered this mortgage transaction with Central Office for Machinery Registration, Department of Industrial Works. As at the date of this report, the registration of the mortgage with respect to the land had not been finalized.

On 11 August 2010, the Company's Board of Directors approved a mortgage transaction with the Revenue Department for the amount of Baht 539 million. Under this mortgage, a portion of the Company's pickle and oil machinery with a net book value of Baht 1,250 million as at 31 December 2010 shall be mortgaged as security for the Company's long-overdue tax liability in the amount not exceeding Baht 539 million. As at the date of this report, the registration of this mortgage had not been finalized.

Impairment evaluation

For the year 2010

The Company's property, plant and equipment were appraised on a value-in-use basis by an independent appraisal firm as at 31 December 2010. The appraisal was based on assumptions provided by the Company. The details of the assumptions used by the independent appraiser and the results of this appraisal are as follows:

Primary Assumptions:

- Product and raw material pricing are consistent with prevailing market prices
- A 3% per annum growth and inflation rate is applied to all input costs and product prices
- Existing facilities achieve operating utilization of approximately 80%
- Working capital investment equals 10% of forecasted change in revenue
- Installation of expansion projects classified as "construction in progress" are completed and commence operations in 2013
- Pre-tax discount rate of 15.15% applied to forecast cash flows based on Company-specific, general macro-economic and comparable industry participant data
- The Company is assumed to have access to the required capital necessary to support its capital expenditure and working capital investments required by the projections. (Refer to Note 1.4 for further details of the Company's status in respect of sourcing new funding or facilities.)

(d) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is calculated using the weighted average method cost principle, and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of finished goods and work-in-progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to complete and to make the sale.

An allowance is made for all deteriorated, damaged, obsolete and slow-moving inventories.

The Company recognises an asset and corresponding liability in respect of consignment inventories once the Company obtains the rights and responsibilities of legal and economic ownership.

(e) Investments*Other investments*

Other long-term investments represent time deposits with banks which have been pledged as collateral for credit facilities obtained from the banks and are stated at cost.

Disposal of investments

On disposal of an investment, the difference between net disposal proceeds and the carrying amount together with the associated cumulative gain or loss that was reported in equity is recognised in profit or loss.

(f) Property, plant and equipment*Owned assets*

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Cost also may include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is calculated based on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is charged to profit or loss on the straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. The estimated useful lives are as follows:

Land improvements	20 years
Buildings	20 - 50 years (Refer to Note 3(c) for further details)
Machinery and equipment	15 - 30 years (Refer to Note 2(d) and 3(c) for further details)
Furniture and fixtures	5 years
Office equipment	5 years
Vehicles	5 years

No depreciation is provided on freehold land or assets under construction.

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

(g) Intangible assets

Intangible assets represent the cost of computer software and a production license. These intangible assets that are acquired by the Company and have finite useful live are measured at cost less accumulated amortisation and impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

Computer software license	10 years
Production license	25 years

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

(h) *Deferred costs of rolls*

Deferred costs of rolls are stated at cost less accumulated amortisation. Amortisation is based on consumption.

(i) *Impairment*

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognised in profit or loss unless it reverses a previous revaluation credited to equity, in which case it is charged to equity.

Calculation of recoverable amount

The recoverable amount of non-financial assets is the greater of the asset's value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss in respect of a financial asset is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised in profit or loss.

Impairment losses recognised in prior periods in respect of non-financial assets are assessed at each reporting date for any indications that the losses have decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) *Interest-bearing liabilities*

Interest-bearing liabilities are recognised initially at fair value less attributable transaction charges. Subsequent to initial recognition, interest-bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective interest basis.



(k) Trade and other accounts payable

Trade and other accounts payable are stated at cost.

(l) Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realisable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

The Company recognises all actuarial gains and losses arising from defined benefit plans in other comprehensive income and all expenses related to defined benefit plans in profit or loss.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(m) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting the Company's obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.

(n) Revenue

Revenue excludes value added taxes and is arrived at after deduction of trade discounts.

Sale of goods

Revenue is recognised in profit and loss when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there is continuing management involvement with the goods or there are significant uncertainties regarding recovery of the consideration due, associated costs or the probable return of goods.

Interest income

Interest income is recognised in profit or loss as it accrues.

(o) Finance costs

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and contingent consideration, losses on disposal of available-for-sale financial assets, dividends on preference shares classified as liabilities, fair value losses on financial assets at fair value through profit or loss, impairment losses recognised on financial assets (other than trade receivables), and losses on hedging instruments that are recognised in profit or loss.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

(p) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.



Determining whether an arrangement contains a lease

At inception of an arrangement, the Company determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Company the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Company's incremental borrowing rate.

(q) Income tax

Income tax expense for the year comprises current tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

In determining the amount of current tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

(r) Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

5 Related parties

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.



Relationships with related parties were as follows:

Name of entities	Country of incorporation/ Nationality	Type of business	Nature of Relationships
G Steel	Thailand	Manufacture and sale of steel	Parent company
OAC	Thailand	Business consulting services	Subsidiary of G Steel and Company shareholder
SSP Place Co., Ltd.	Thailand	Office rental	Common director
Mill Con Steel Industries PCL.	Thailand	Manufacture and sale of steel bars	Common director
Asia Metal PCL.	Thailand	Manufacture and sale of steel	Common director
Millcon Burapa Co., Ltd. (Formerly: BRP Steel Co., Ltd.)	Thailand	Manufacture and sale of steel bars	Common director
Million Miles Co., Ltd.	Thailand	Transportation	Common director
Ocean Profit Co., Ltd.	Thailand	Manufacture and sale of steel	Common director
Siam Professional Holdings Co., Ltd.	Thailand	Holding company	Common director
Arnoma Hotel Bangkok Co., Ltd.	Thailand	Hotel, food and beverage	Common executive
Thailand Iron Works PCL.	Thailand	Manufacture and sale of galvanised steel	Common director
Great Siam Steel Works Co., Ltd. (Formerly: Great Eastern International Co., Ltd.)	Thailand	Sale of rolled steel	Common director
Intelligent System Network Co., Ltd.	Thailand	Sale of computer hardware, software and system installation	Common director
Felix River Kwai Resort (Kanchanaburi) Co., Ltd.	Thailand	Hotel, food and beverage	Common director
Turnaround Steel Management LLC	U.S.A.	Financial advisory & management services	Common director until 17 June 2011
Global Principal Partners LLC	U.S.A.	Financial advisory services	Common director until 17 June 2011
Key management personnel	Thailand	-	Persons having authority and responsibility for planning directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the Company



The pricing policies for particular types of transactions are explained further below:

Transactions	Pricing policies
Sale of raw materials	Cost plus margin
Sale of finished goods	Agreed prices with reference to market prices
Purchase of raw materials	Cost plus margin
Purchase of finished goods	Agreed prices with reference to market prices
Operating service expense	Fixed rate as stipulated in agreement
Interest expense	Contractual prices
Rental and service expenses	Contractual prices
Financial advisory services	Per contract
Financial advisory & management services	Per contract

Significant transactions for the years ended 31 December 2011 and 2010 with related parties were as follows:

<i>Year ended 31 December</i>	2011	2010
	<i>(in million Baht)</i>	
Parent (G Steel)		
Sales of raw materials and finished goods	224	13
Purchases of raw materials and finished goods	42	21
Other income	-	5
Interest expenses	75	63
Key management personnel		
Key management personnel compensation		
Salary and bonus	28	25
Meeting allowance and other benefits	5	4
Other related parties		
Sales of raw materials and finished goods	2,689	1,840
Purchases of raw materials and finished goods	-	135
Operating service expenses	303	413
Rental and service expenses	4	3

Balances as at 31 December 2011 and 2010 with related parties were as follows:

	Note	2011	2010
		<i>(in million Baht)</i>	
Trade accounts receivable from related parties	8		
Parent			
G Steel		16	-

	Note	2011 (in million Baht)	2010
Advances from customers			
Parent			
G Steel		39	-
Other related parties			
Mill Con Steel Industries Public Co., Ltd.		46	125
Asia Metal Public Co., Ltd.		101	74
Millcon Burapa Co., Ltd. (Formerly: BRP Steel Co.,Ltd.)		5	58
		152	257
Total		191	257
Trade accounts payable to related parties			
Parent			
G Steel	16	156	111
Other payables and accrued expenses			
Other related parties			
OAC (See Note 5(a))	17	905	577
SSP Place Co., Ltd. and others		2	2
		907	579
Accrued interest expenses			
Parent			
G Steel		53	1
Payable to related party from offsetting of machinery purchase (see Note 5(b) and 5(c))			
Parent			
G Steel		946	958

Movements during the years ended 31 December 2011 and 2010 of Payable to related party from offsetting of machinery purchase were as follows:

	2011 (in million Baht)	2010
At 1 January	958	992
Increase	-	34
Decrease	(12)	(68)
At 31 December	946	958

Significant agreement with related parties

a) According to an agreement executed on 11 September 2006, the Company's plan administrator for purposes of the business rehabilitation plan (the "Plan Administrator") entered into an operation service agreement with OAC and On City Holding Limited to (i) arrange working capital credit lines for the Company's operations and (ii) act as its strategic advisor to provide services in relation to the execution of the rehabilitation plan (the "Plan") during the term of the Plan, including the procurement of raw materials, production of products, sales, marketing, promotion and distribution of products into both domestic and export markets. Fees to be paid to OAC are as follows:

- Operating fee of USD 400,000 per month
- Maintenance management fee of USD 375,000 per quarter
- Technical assistance fee of USD 500,000 per quarter
- Minimum revenue sharing of USD 400,000 per month

The agreement period was 5 years with options to renew, and the agreement commenced on 12 September 2006.

On 21 December 2006, the Plan Administrator and OAC agreed that the maximum fee payable under the operation service agreement should not exceed USD 13 million per annum, and the fees in relation to arrangement fee and revenue sharing in excess of the said minimum revenue sharing would be irrevocably waived.

If the Company chooses to terminate the operation service agreement prior to the expiration of the term of the operation service agreement, the Company would be required to pay OAC the termination fees as specified in the agreement upon such termination.

In September 2011, the operation service agreement was due without continuing the agreement. The Company was USD 28 million (Baht 905 million) in arrears ("Overdue Service Balances") under the terms of the agreement with OAC as at 31 December 2011 (*2010: Baht 577 million*). While OAC has not assessed any interest or fees for the Company's failure to pay amounts under the agreement when due, the Company's understanding with OAC is that the Company will make periodic payments to OAC against the Overdue Service Balances when cash resources are available to do so.

Refer to Note 1.4, during 2011, the Board of Directors acknowledged and intended to submit to the Annual General Meeting of Shareholders in April 2012 a resolution to revoke resolution dated 15 August 2011 which approved the matters relating to the transactions with AM, including the cancellation of conversion of debts, of the Overdue Service Balances owed by the Company to OAC, to the Company's ordinary shares.

23 Warrants

Warrants

Following are terms and conditions of the warrants:

First Warrants

- The Company allotted 3,234 million “First Warrants” to shareholders whose names appeared in the Company’s share register on 11 April 2000 at the ratio of 1 existing share for 4.5 First Warrants.
- The offering price of a First Warrant was Baht 0.05 per unit.
- One First Warrant is exercisable for one new ordinary share at the initial price of Baht 3.162 per share subject to further adjustments on the occurrence of adjustable events.
- The First Warrants have an eight-year maturity from the issuance date. The last exercise date will be at the expiration of the term of the warrants.
- The exercise date is the last business day of March, June, September, and December, during the term of the warrants, with the exception of the last exercise date. The first exercise date shall be three years following the issuance date of the warrants (31 December 2003). Accordingly, the first exercise date took place on 28 December 2006, and the last exercise date is on the expiration date of the term of the warrants (31 October 2011).

On 31 October 2011, 3,234 million units of the First Warrants remained not exercised and were cancelled by the SET the following day.

Second Warrants

- The Company allotted 5,000 million “Second Warrants” to shareholders whose names appeared in the Company’s share register on 9 February 2010 at the ratio of 7.9405 existing shares for each Second Warrant.
- The offering price of a Second Warrant unit was Baht 0.03 per unit.
- One Second Warrant unit is exercisable for three new ordinary shares at the initial price of Baht 0.25 per share subject to further adjustments on the occurrence of adjustable events. Therefore, in order to exercise a Second Warrant, the holder is required to remit Baht 0.75 per unit to the Company.
- The Second Warrants have a seven-year maturity from the issuance date.
- The Exercise Date is the last business day of June and December of each year, during the term of the Second Warrants, with the exception of the last exercise date. The first exercise date shall be 30 December 2010 and the last exercise date will fall on 12 December 2017. In the event that the last exercise date should fall on an official Company holiday, such date shall be changed to the last business day prior to such last exercise date. The notification period for the last exercise date shall not be less than 15 days prior to the last exercise date.

Employee Stock Option Program Warrants (ESOP Warrants)

- On 11 December 2008, the Company was authorised by the SEC to issue and offer 728 million ESOP warrants (the “ESOP Warrants”), equivalent to 1.83% of the total paid-up share capital of the Company (as of 20 October 2008). The ESOP Warrants are issued to specified holders and are non-transferable, except transfer by an intermediary person, or as otherwise specified by the Board of Directors or the Allocation Committee (an eligible intermediary person is the person who holds the said securities for distribution to all future directors and employees). Details are as follows:
- The offering price of an ESOP Warrant is Baht 0 per unit.
- One ESOP Warrant is exercisable for one new ordinary share (amendable subsequent to any adjustment of the rights under the warrants) at par value at the exercise date (as of 20 October 2008, the par value was Baht 0.69 per share).
- The ESOP Warrants have a five-year maturity from the date of issuance and offering (i.e. the ESOP Warrants expire on 10 December 2013).
- The exercise date is the last business day of December in each year throughout the term of the ESOP Warrants whereby the first exercise date shall be 30 December 2011 and the last exercise date will take place on 10 December 2013. If the exercise date takes place on an official Company holiday, such date shall be changed to the last business day prior to such last exercise date. ESOP Warrants holders will be informed of the last exercise date at least 15 days prior to such date.
- The exercise period and ratio (the percentage of total distribution) that Directors and employees of the Company can exercise their rights under the ESOP Warrants are as follows:

First	20% shall be exercisable on the first exercise date which falls on the last business day of December 2011
Second	30% shall be exercisable on the second exercise date which falls on the last business day of December 2012
Third	50% shall be exercisable on the last exercise date which falls on 10 December 2013.

If ESOP Warrant holders do not exercise or partly exercise their rights on each exercise date, such warrant holders can exercise their remaining warrants on the subsequent exercise date throughout the term of the ESOP Warrants.



- b) In 2009, the Company entered into an agreement with an overseas counterparty (“Counterparty A”), which is also a debtor of G Steel in respect of sale of scrap made by G Steel to Counterparty A, to purchase machinery from Counterparty A for Baht 1,017 million (USD 29.8 million). The Company, G Steel and Counterparty A subsequently agreed to settle the outstanding debt owed by Counterparty A to G Steel by offsetting its debt to G Steel against the amount due to Counterparty A from the Company for the machinery purchase. Subsequently, the parties agreed to fix the USD/Baht exchange rate for the machinery purchase. As a result, the USD 29.8 million purchase price was converted to Baht 992 million. The Baht 992 million originally owed to Counterparty A was then owed to G Steel by virtue of the aforementioned transaction. At a Board of Directors’ meeting of the Company held on 6 November 2009, the Board of Directors passed a resolution concerning the terms of payment of the amount payable to G Steel. The repayment period is 3 years from 1 November 2009 to 31 October 2012. Interest is payable on the outstanding amount at MLR+1% with a grace period of 90 days. Payments made by the Company shall be deducted first from outstanding interest payable with any remaining balance deducted from outstanding principal. The amount payable to G Steel was classified as a non-current liabilities as at 31 December 2010.

Refer to Note 1.4, during 2011, the Board of Directors acknowledged and intended to submit to the Annual General Meeting of Shareholders in April 2012 a resolution to revoke resolution dated 15 August 2011 which approved the matters relating to the transactions with AM, including the cancellation of conversation of debts, owed by the Company to G Steel, to the Company’s ordinary shares.

- c) The chronology of other offsetting transactions ultimately involving the Company and G Steel is as follows:
- i. On 17 May 2010, the Company’s Board of Directors acknowledged the offset of receivables due from an overseas counterparty (“Counterparty D”) (USD 10.4 million, equivalent to Baht 353 million) and payables due to Counterparty A, a company related to Counterparty D. The Company’s Board of Directors approved an agreement documenting the Company’s offset of these balances. The accounts receivable amounts due from Counterparty D had previously been fully provisioned. Following this transaction, the Company had a net payable balance due to Counterparty A of Baht 51 million.
 - ii. On 10 June 2010, the Company’s Board of Directors acknowledged that Baht 33 million (USD 1.04 million) of the amounts owed by the Company to Counterparty A were subrogated in favour of G Steel. G Steel subrogated these rights as a result of further amounts owed by Counterparty A to G Steel. Following the acceptance of the subrogation rights, the amount owed by the Company to Counterparty A, after allowing for changes in foreign exchange rates, was Baht 14 million (USD 0.5 million).
 - iii. On 11 August 2010, the Board of Directors passed a resolution concerning the terms of payment of G Steel’s subrogation right from Counterparty A. The repayment period is 3 years from 16 August 2010 to 15 August 2013. Interest is payable on the outstanding amount at MLR+1% with a grace period of 90 days. Payments made by the Company shall be deducted first from outstanding interest payable with any remaining balance deducted from outstanding principal. The amounts owed by the Company to G Steel under this paragraph 5(b) (the “G Steel Debt”) as at 31 December 2011 were Baht 946 million (2010: Baht 958 million). Refer to Note 1.4 for details of agreements with respect to the G Steel Debt.
 - iv. During the year ended 31 December 2011, the Company entered into a memorandum of understanding to offset an advance received from a customer amounting to Baht 29 million with an amount payable to the same customer by G Steel.



- d) Turnaround Steel Management (“TSM”) assisted the Company from February 2010 to 30 September 2011. TSM was considered a related party to the Company, although it has no contractual relationship with the Company, as TSM’s representatives performed key management duties at the Company during part of the year ended 31 December 2011 (Mr. Levy and Mr. Garas of TSM have been members of the Company’s Board of Directors until 17 June 2011). As at 31 December 2011 and 2010, the Company held no balances due from or to TSM and neither has conducted any transactions with TSM during the year ended 31 December 2011.
- e) The Company entered into an agreement on 22 March 2010 with Global Principal Partners LLC (“GPP”) which expired on 30 September 2011. GPP is an affiliate of TSM and also engaged by G Steel. Under the 22 March 2010 agreement, GPP agreed to secure additional credit facilities and new investments for the Company, restructure its trade payables, structure a management agreement and assist the Company to achieve more efficient strategic coordination with G Steel. GPP is remunerated on a success-fee basis (Baht 16 million (USD 0.53 million) of which was fixed upon the achievement of certain milestones, and the remainder is proportionate to the level of facilities secured). No balance was due to GPP by the Company as at 31 December 2011 and 2010.

6 Balances with former related parties

Balances as at 31 December 2011 and 2010 with former related parties were as follows:

	Note	2011 (in million Baht)	2010
Long-term loans to (interest rate per annum)			
Metal Star Co., Ltd. (16.0%)		-	437
Nakornthai Integrated Steels Co., Ltd. (16.0%)		-	88
Tak-Ka-Pon Co., Ltd. (16.0%)		-	75
Nakornthai Steel Work Co., Ltd. (16.0%)		-	4
Sathorn North Pattana Co., Ltd. (16.0%)		1	1
Total		1	605
Less allowance for doubtful accounts		(1)	(605)
Net		-	-
Receivables from former related parties			
N.T.S. Steel Group Public Co., Ltd. (“NTS”) and others		74	74
Less allowance for doubtful accounts		(3)	(3)
Net		71	71
Long-term loans to and receivables, net		71	71
Accounts payable to former related parties under rehabilitation plan			
NTS	19	34	34
Other payables and accrued expenses			
NTS	17	25	25

These companies ceased to be related parties of the Company from 30 September 2006.



Long-term loans

Long-term loans to and accrued interest receivables represent long-term loans to former related parties for working capital in the form of promissory notes which bear interest at 16% per annum and are unsecured. The Company has made full allowance for doubtful accounts for these long-term loans and accrued interest receivable. Since 1999, the Company has ceased the recognition of interest income on these long-term loans.

At a meeting of the Board of Directors of the Company on 4 March 2011, the Board approved the write-off of balances due from former related parties. Specifically, the Company has decided to formally write-off amounts owed by Metal Star Co., Ltd., Nakornthai Integrated Steels Co, Ltd., Tak-Ka-Pon Co., Ltd. and Nakornthai Steel Work Co., Ltd. The Company has decided to write-off these balances as a result of the long-outstanding nature of the balances, the dissolution of several of the counterparties and the Company's inability to assert proper legal claims. The balances due from former related parties have all previously been fully provisioned; therefore, the write-off does not have an impact on the presentation of the Company's financial statements.

7 Cash and cash equivalents

	2011 (in million Baht)	2010
Cash and deposits at financial institutions	30	55
Fixed deposits due within three months	2	2
Total	32	57

The currency denomination of cash and cash equivalents as at 31 December was as follows:

	2011 (in million Baht)	2010
Thai Baht (THB)	23	48
United States Dollars (USD)	9	9
Total	32	57

8 Trade accounts receivable

	Note	2011 (in million Baht)	2010
Related parties	5	16	-
Other parties		642	863
Total		658	863
Less allowance for doubtful accounts		(424)	(445)
Net		234	418
Reversal of bad and doubtful debts expense for the year		(21)	(276)



Aging analyses for trade accounts receivable were as follows:

	2011	2010
	<i>(in million Baht)</i>	
Related parties		
Overdue :		
6-12 months	16	-
	16	-
Other parties		
Overdue :		
Less than 3 months	1	118
3-6 months	-	272
6-12 months	8	13
Over 12 months	633	460
	642	863
<i>Less allowance for doubtful accounts</i>	<i>(424)</i>	<i>(445)</i>
Net	218	418
Total	234	418
Balance before offset transactions	886	1,216
Offset transactions of machinery purchase	-	(353)
Offsetting between trade accounts receivable and trade accounts payable	(228)	-
Net after offset transactions	658	863

During the year ended 31 December 2011, the Company entered into an arrangement with two suppliers to offset trade accounts receivable from against trade accounts payable to such supplier in the amount of Baht 228 million.

The normal credit terms granted by the Company are cash for domestic sales, and letter of credit at sight for export sales.

During the years ended 31 December 2011 and 2010, the Company entered into sales transactions with two domestic customers (the “Non-Performing Domestic Customers”) on a cash basis only. The gross and net balances due from the Non-Performing Domestic Customers are shown in the table below:

	2011	2010
	<i>(in million Baht)</i>	
Account receivables		
- Customer 1	352	356
- Customer 2	72	89
	424	445
<i>Less allowance for doubtful accounts</i>	<i>(424)</i>	<i>(445)</i>
Net	-	-

Sales transactions for the years ended 31 December 2011 and 2010 with the Non-Performing Domestic Customers are shown in the table below:

	2011	2010
	<i>(in million Baht)</i>	
- Customer 1	445	776
- Customer 2	-	196
Total	445	972

The currency denomination of trade accounts receivable, gross amount as at 31 December was as follows:

	2011	2010
	<i>(in million Baht)</i>	
Thai Baht (THB)	644	849
United States Dollars (USD)	14	14
Total	658	863

9 Inventories

	2011	2010
	<i>(in million Baht)</i>	
Finished goods	285	442
Raw materials	1,485	351
Spare parts and supplies	335	330
Goods in transit	82	27
Total	2,187	1,150
Less allowance for devaluation of inventories	(166)	(112)
Net	2,021	1,038
Carrying value of inventories pledged to secure liabilities	1,522	157
Inventories recognised as an expense in 'cost of sales of goods':		
Cost	17,933	14,845
Loss on devaluation of inventories	7	11
Net	17,940	14,856

During the fourth quarter 2011, the Company purchased raw material amounting to USD 41.21 million (approximately Baht 1,312 million), the Company transferred its right to a creditor and pledged raw material as collateral to such creditor with interest charge at 2.5% per annum.

10 Other current assets

	2011	2010
	<i>(in million Baht)</i>	
Suspense input tax	95	124
Prepaid expense to other parties	17	15
	112	139
Other receivables	64	63
Less allowance for doubtful account	(53)	(53)
Net	11	10
Others	77	139
Total	200	288

11 Restricted deposits at financial institutions

As at 31 December 2011 and 2010, the Company had pledged its deposits at financial institutions as collateral for supplies and services receivable from the government and other entities as follows:

	2011	2010
	<i>(in million Baht)</i>	
Guarantee for utility supplies and services	177	177
Total	177	177

12 Property, plant and equipment

	Land and land improvements	Building	Machinery and equipment	Furniture and fixtures (in million Baht)	Office equipment	Vehicles	Construction in progress	Total
Cost								
At 1 January 2010	857	6,245	17,872	44	212	3	6,819	32,052
Additions	-	-	2	-	2	-	8	12
Disposals	-	-	-	(9)	(2)	-	-	(11)
Transfers	-	-	41	7	-	-	(52)	(4)
At 31 December 2010 and 1 January 2011	857	6,245	17,915	42	212	3	6,775	32,049
Additions	-	-	1	-	2	-	1	4
Disposals	-	-	-	-	(1)	-	-	(1)
Transfers	-	-	1	-	-	-	(1)	-
At 31 December 2011	857	6,245	17,917	42	213	3	6,775	32,052
Accumulated depreciation								
At 1 January 2010	8	3,158	3,284	38	168	3	-	6,659
Depreciation charge for the year	3	314	379	1	16	-	-	713
Disposals	-	-	-	(4)	(2)	-	-	(6)
At 31 December 2010 and 1 January 2011	11	3,472	3,663	35	182	3	-	7,366
Depreciation charge for the year	4	102	813	1	13	-	-	933
Disposals	-	-	-	-	-	-	-	-
At 31 December 2011	15	3,574	4,476	36	195	3	-	8,299

	Land and land improvements	Building	Machinery and equipment	Furniture and fixtures (in million Baht)	Office equipment	Vehicles	Construction in progress	Total
<i>Allowance for loss on impairment</i>								
At 1 January 2010	194	43	82	-	-	-	544	863
Impairment losses	(171)	33	309	-	-	-	2,579	2,750
At 31 December 2010 and 1 January 2011	23	76	391	-	-	-	3,123	3,613
At 31 December 2011	23	76	391	-	-	-	3,123	3,613
<i>Net book value</i>								
At 1 January 2010	655	3,044	14,506	6	44	-	6,275	24,530
At 31 December 2010 and 1 January 2011	823	2,697	13,861	7	30	-	3,652	21,070
At 31 December 2011	819	2,595	13,050	6	18	-	3,652	20,140

The cost of the Company's fully depreciated property, plant and equipment that was still in use amounted to Baht 228 million as at 31 December 2011 (2010: Baht 187 million).

As at 31 December 2011 the Company's property, plant and equipment and construction in progress, with a net book value of Baht 13,350 million, were mortgaged under the rehabilitation plan (2010: Baht 14,162 million).

On 19 July 2010, the Company's Board of Directors approved a mortgage transaction with the Provincial Electricity Authority in the amount of Baht 262 million. Under this mortgage, a portion of the Company's skin pass machinery together with a portion of land with a net book value of Baht 739 million is mortgaged as security for the Company's long-overdue electricity expenses in an amount not exceeding Baht 262 million. On 22 February 2011, the Company registered this mortgage transaction with Central Office for Machinery Registration, Department of Industrial Works. As at the date of this report, the registration of the mortgage with respect to the land had not been finalized.

On 11 August 2010, the Company's Board of Directors approved a mortgage transaction with the Revenue Department for the amount of Baht 539 million. Under this mortgage, a portion of the Company's pickle and oil machinery with a net book value of Baht 1,250 million as at 31 December 2010 shall be mortgaged as security for the Company's long-overdue tax liability in the amount not exceeding Baht 539 million. As at the date of this report, the registration of this mortgage had not been finalized.

Impairment evaluation

For the year 2010

The Company's property, plant and equipment were appraised on a value-in-use basis by an independent appraisal firm as at 31 December 2010. The appraisal was based on assumptions provided by the Company. The details of the assumptions used by the independent appraiser and the results of this appraisal are as follows:

Primary Assumptions:

- Product and raw material pricing are consistent with prevailing market prices
- A 3% per annum growth and inflation rate is applied to all input costs and product prices
- Existing facilities achieve operating utilization of approximately 80%
- Working capital investment equals 10% of forecasted change in revenue
- Installation of expansion projects classified as "construction in progress" are completed and commence operations in 2013
- Pre-tax discount rate of 15.15% applied to forecast cash flows based on Company-specific, general macro-economic and comparable industry participant data
- The Company is assumed to have access to the required capital necessary to support its capital expenditure and working capital investments required by the projections. (Refer to Note 1.4 for further details of the Company's status in respect of sourcing new funding or facilities.)

As at 31 December 2011, the Company had agreements to purchase raw materials with various suppliers under consignment agreements, under which the ownership of unreleased raw material belongs to the suppliers. The Company has to pay interest ranging from 1.00% to 6.45% per annum on the unreleased raw materials in addition to the payables balance (as detailed in Note 16) (2010: 2% to 12% per annum).

35.4 Customer advances

As of 31 December 2011, the Company had received advances from customers totalling Baht 560 million (2010: Baht 1,408 million) and had the obligation to deliver goods to the customers in the future.

36 Litigation

36.1 Suppliers complaint pending litigation

In the past, three suppliers filed a complaint against the Company for breach of several agreements related to sales and purchases, rentals and services in the amount of Baht 11 million together with interest at the rate of 7.5% and 18% per annum on the principal amount of Baht 8 million from the date of filing the complaint until the date of full repayment. Presently, in two cases compromises have been reached and confirmed by the Court and the Court ordered the Company to pay the outstanding amount together with further interest amounting to Baht 1.9 million as at 31 December 2011.

36.2 Central Intellectual Property and International Trade Court

According to Black Case No. Kor. Kaw. 5/2548 dated 21 January 2005, the Company has sued a domestic and a foreign financial institution (collectively called "the Defendant"), in the Central Intellectual Property and International Trade Court, in respect of a letter of credit ("the Letter"). The Company considers that the Defendant has breached the conditions of the Letter which caused damage to the Company. The Defendant had made payment to one of the Company's foreign suppliers under the Letter which covered the value of goods to be delivered (amounting to Baht 202 million). The Defendant made payment to the supplier prior to the conditions of the Letter being fulfilled, despite the Company instructing the Defendant to withhold payment until all conditions were met. The Defendant deducted the value of the Letter from the Company's account. The Company did not receive the goods from the supplier. Therefore, the Company has sued the Defendant for damages, including interest and other estimated damages, amounting to Baht 8,594 million.

Presently, the Central Intellectual Property and International Trade Court has dismissed the claim of the Company. The Company does not agree with this decision, therefore, on 24 April 2009, the Company filed an appeal against the lower court's decision to the Supreme Court. The Company accounted for the charge made against the Company's account by the Defendant (Baht 202 million) within "Advance to Suppliers". A full provision was made against this balance during 2008.



Results and indicated impairment charges:

	Net book value as at 31 December 2010	Independence appraisal value	Allowance for loss on impairment <i>(in million Baht)</i>	Recorded in prior year	Loss on impairment in 2010
Existing project	17,872	17,382	490	319	171
Construction in progress	6,775	3,652	3,123	544	2,579
Total	24,647	21,034	3,613	863	2,750

For the year 2011

Management evaluated a potential impairment of property, plant and equipment using the same model as used in 2010. The analysis was based on assumptions consistent with those of 2010, including the assumption that the Company will have access to the required capital necessary to support its capital expenditure and working capital investments. The results of this analysis did not indicate any additional impairment in the carrying value of these assets as at 31 December 2011.

Details of construction in progress as at 31 December were as follows:

	2011 <i>(in million Baht)</i>	2010
Galvanizing line	5,038	5,038
Reversing Mill line	1,525	1,525
Others	212	212
Total	6,775	6,775

13 Intangible assets

	Software	License <i>(in million Baht)</i>	Total
<i>Cost</i>			
At 1 January 2010	249	41	290
Additions	17	-	17
Disposals	(55)	-	(55)
At 31 December 2010 and 1 January 2011	211	41	252
At 31 December 2011	211	41	252
<i>Amortisation</i>			
At 1 January 2010	208	20	228
Amortisation charge for the year	2	1	3
Disposals	(20)	-	(20)
At 31 December 2010 and 1 January 2011	190	21	211
Amortisation charge for the year	2	2	4
At 31 December 2011	192	23	215
<i>Net book value</i>			
At 1 January 2010	41	21	62
At 31 December 2010 and 1 January 2011	21	20	41
At 31 December 2011	19	18	37



14 Other non-current assets

	2011 (in million Baht)	2010
Suspended construction in progress	2,086	2,086
Less allowance for impairment	(2,042)	(2,042)
	44	44
Advances to suppliers	202	202
Less allowance for impairment	(202)	(202)
	-	-
Advances for purchase of property, plant and equipment	350	292
Less allowance for impairment	(140)	(140)
	210	152
Promissory notes	143	143
Less allowance for impairment	(143)	(143)
	-	-
Deferred cost of roll	113	136
Refundable deposits	22	22
Others	13	13
Net	402	367
Loss on impairment of other non-current assets for the year	-	11

Suspended construction in progress represented the Direct Reduced Iron plant (“DRI Facility”). The management of the Company decided to suspend this project in 1999. The carrying value of this investment was written down to its independently appraised forced sale value of Baht 44 million as at 31 December 2009.

As at 31 December 2011 and 2010, promissory notes issued by closed finance companies were pledged as collateral for loans of certain related parties from those closed finance companies. The Company has fully provided for these promissory notes due to concerns about the financial position of the related parties.



15 Interest-bearing liabilities

	<i>Note</i>	2011 (in million Baht)	2010
<i>Current</i>			
Short-term loans from other parties (unsecured)		141	139
Trade accounts payable	16		
Secured		1,312	-
Unsecured		2,398	2,498
		<u>3,710</u>	<u>2,498</u>
Other payables and accrued expenses (unsecured)		542	-
Payable to related party from offsetting machinery purchases (unsecured)	5	946	-
		<u>5,339</u>	<u>2,637</u>
<i>Non-current</i>			
Payable to related party from offsetting machinery purchases (unsecured)	5	-	958
		<u>-</u>	<u>958</u>
Total		<u>5,339</u>	<u>3,595</u>

The periods to maturity of interest-bearing liabilities as at 31 December were as follows:

	2011 (in million Baht)	2010
Within one year	5,339	2,637
After one year but within five years	-	958
Total	<u>5,339</u>	<u>3,595</u>

Secured interest-bearing liabilities as at 31 December were secured on the following assets:

	2011 (in million Baht)	2010
Inventories	1,293	-
Total	<u>1,293</u>	<u>-</u>

The currency denomination of interest-bearing liabilities as at 31 December was as follows:

	2011 (in million Baht)	2010
Thai Baht (THB)	1,996	1,354
United States Dollars (USD)	3,343	2,241
Total	<u>5,339</u>	<u>3,595</u>

Short-term loans from other parties

Short-term loans from other parties are unsecured and bear interest (including other fees) at 6.0% to 30.0% per annum in 2011 (2010: 2.5% to 9.0% per annum).



16 Trade accounts payable

	<i>Note</i>	2011 <i>(in million Baht)</i>	2010
Related parties	5	156	111
Other parties		4,466	3,018
Total		4,622	3,129

The currency denomination of trade accounts payable as at 31 December was as follows:

	2011 <i>(in million Baht)</i>	2010
Thai Baht (THB)	1,535	829
United States Dollars (USD)	3,058	2,298
Euro Dollars (EUR)	29	2
Total	4,622	3,129

The Company has agreements to purchase raw materials from various overseas suppliers. The Company had taken delivery of raw materials under consignment agreements totalling Baht 2,398 million as at 31 December 2011 and pays interest from 1.00% to 6.45% per annum on the payables balance (2010: Baht 2,498 million, interest rate at 2% to 12% per annum). Refer to Note 1.2 for details of trade creditor restructuring.

17 Other payables and accrued expenses

	<i>Note</i>	2011 <i>(in million Baht)</i>	2010
Related parties	5	907	579
Former related party	6	25	25
Other parties		1,312	1,111
Total		2,244	1,715

Refer to Note 1.2 for details of trade creditor restructuring with the End-Use Customers.

The currency denomination of other payables and accrued expenses as at 31 December was as follows:

	2011 <i>(in million Baht)</i>	2010
Thai Baht (THB)	721	865
United States Dollars (USD)	1,514	840
Euro Dollars (EUR)	9	10
Total	2,244	1,715

18 Other current liabilities

	2011	2010
	<i>(in million Baht)</i>	
Machinery purchase payable	15	14
Tax-related liabilities	540	537
Construction payables	13	67
Total	568	618

The currency denomination of other current liabilities as at 31 December was as follows:

	2011	2010
	<i>(in million Baht)</i>	
Thai Baht (THB)	540	588
United States Dollars (USD)	26	25
Euro Dollars (EUR)	2	5
Total	568	618

19 Liabilities under rehabilitation plan

	2011	2010
	<i>(in million Baht)</i>	
Balance - beginning of the year	367	389
Exchange rate adjustments during the year	9	(22)
Balance - end of the year	376	367

Liabilities under rehabilitation plan as at 31 December were included in the financial statements as follows:

			2011	2010
			<i>(in million Baht)</i>	
Creditors		Due date		
Class 4	Employee	Repayable in July 2015	4	-
Class 5	Equipment Claims	Repayable in October 2011	35	34
Class 11	Operating Fund	Repayable in October 2003		
	Creditors Provided			
	in the Form of			
	Overdraft		16	16
Class 13	Other Creditors	Repayable in October 2011	321	317
	Total		376	367

The currency denomination of liabilities under rehabilitation plan as at 31 December was as follows:

	2011	2010
	<i>(in million Baht)</i>	
Thai Baht (THB)	263	260
United States Dollars (USD)	100	95
Euro Dollars (EUR)	9	9
Singapore Dollars (SGD)	4	3
Total	376	367

The repayment schedules of each creditor under Class 5 and Class 13 are not entirely consistent in terms of date, as they depend on the date of the conclusion of the debt. However, the first due date of creditors under Class 5 and Class 13 is 31 October 2011.

Although a repayment of creditors under Class 11 was due in October 2003, the repayment schedule of these creditors was conditional upon those creditors continuing to provide overdraft facilities to the Company equal to the total debt under Class 11. However, the Company has not received any such overdraft facility from the creditors under Class 11, and therefore, the repayment condition imposed on these creditors has not been satisfied.

The Company's rehabilitation plan liabilities (Baht 331 million) fell due on 31 October 2011 but were defaulted against. The Company entered into negotiations with the creditors to extend the payment period. Accordingly, the Company presented the outstanding liabilities under rehabilitation plan as at 31 December 2011 as current liabilities in the Company's statement of financial position.

20 Employee benefit obligations

	2011 (in million Baht)
Statement of financial position obligations for:	
Post-employment benefits	9
	9

Year ended 31 December 2011

	(in million Baht)
Statement of comprehensive income recognized in profit or loss:	
Post-employment benefits	9
	9

The Company adopted TAS 19 - Employee Benefits with effect from 1 January 2011; the effect on the financial statements is discussed in Note 3(e). As stated in Note 3(e), the Company has opted to recognise the transitional obligation as at 1 January 2011 through profit or loss on a straight-line basis over five years from 1 January 2011. Movements during the year on the provision for the unrecognised transitional obligation were as follows:

	2011 (in million Baht)
Unrecognised transitional obligation as at 1 January	24
Recognised through profit or loss for the year	(5)
Unrecognised transitional obligation as at 31 December	19

An unfunded plan based on Thai labour law

The Company operates defined benefit plans based on the requirement of Thai Labour Protection Act B.E. 2541 (1998) to provide retirement benefits to employees based on pensionable remuneration and length of service.



The statement of financial position obligation was determined as follows:

	2011 (in million Baht)
Present value of unfunded obligations	28
Unrecognised transitional obligation	(19)
Statement of financial position obligation	9

Movement in the present value of the defined benefit obligations:

	2011 (in million Baht)
Defined benefit obligations at 1 January	24
Current service costs and interest	4
Defined benefit obligations at 31 December	28

Expense recognised in profit or loss:

	2011 (in million Baht)
Transitional obligation recognised	5
Current service costs	4
Total	9

The expense is recognised in the following line items in the statement of comprehensive income:

	2011 (in million Baht)
Cost of sales and administrative expenses	9
Total	9

No actuarial gains and losses were recognised in other comprehensive income for the year ended 31 December 2011.

Principal actuarial assumptions at the reporting date (expressed as weighted average):

	2011 (%)
Discount rate	4.2 per year
Future salary increases	5.0 – 7.0
Turnover	5.0 – 10.0

Assumptions regarding future mortality are based on published statistics and TMO 97 mortality tables. The assumed rate of price inflation has been assessed by reference to consumer price indicators. All participants are assumed to retire by age 60. For valuation purposes, participants are assumed to receive a lump sum payment from the plan.

21 Provisions

	Purchase orders of undelivered raw material (See note 35.3)	Purchase of inferior raw material	Performance guarantees	Tax- related liabilities	Total
<i>(in million Baht)</i>					
At 1 January 2010	128	-	620	301	1,049
Provisions made	-	100	58	438	596
Provisions reversed	(128)	-	-	-	(128)
At 31 December 2010 and 1 January 2011	-	100	678	739	1,517
Provisions made	146	-	-	137	283
Provisions paid	-	-	-	(16)	(16)
Provisions transferred	-	(100)	(678)	-	(778)
At 31 December 2011	146	-	-	860	1,006
At 31 December 2010 and 1 January 2011					
- Current	-	100	678	739	1,517
At 31 December 2011					
- Current	146	-	-	860	1,006

Provision for loss on purchase of inferior raw material

In January 2010, the Company received scrap from an overseas supplier. The Company appointed an independent surveyor to determine the impurity levels and found them to be significant. As at 31 December 2010, the Company had made full provision against these scrap inventories amounting to Baht 100 million. The total amount of the claim the Company has made of the supplier by virtue of the supplier's non-performance is approximately USD 3.7 million (Baht 113 million). The supplier is also one of the "End Use Customers". On 1 March 2011, the Company resolved the aforementioned supply claim in conjunction with the supplier's End Use Customer claim referenced in Note 1.2 Restructuring Debt of Major Trade Creditors with End Use Customers.

Provision for losses related to performance guarantees

The Company may face claims from two end-use customers (the "End-Use Customers") related to an agreement covering the supply of hot-rolled coils. Following further review by the Company's management during 2010, the Company decided to retrospectively record provisional charges related to these potential claims and restate its financial statements to show the impact of recording these provisional charges during the historical period in which these provisional charges should have been recorded.

The potential claims stem from a commercial decision made by the Company just prior to the market turmoil and downturn stemming from the late 2008 global financial crisis. During this period, the Company was approached by an intermediary retailer of hot-rolled coils (the “Intermediary”) with whom the Company had previously conducted business whereby the Intermediary committed to sell hot-rolled coil products to the End-Use Customers. The Intermediary agreed to purchase the hot rolled coils from the Company at an increased price due to the extended credit terms delivery guarantee offered by the Company to the End-Use Customers. The End-Use Customers also required and were provided with the joint and several guarantee of G Steel for the Intermediary’s performance. The Company has since been informed by the End-Use Customers that the Intermediary failed to perform its commitments. The End-Use Customers are now seeking relief from the Company to the extent that they have not received value from the Intermediary. However, neither of the End-Use Customers has taken legal action against the Company. As such, the Company has recorded the provisional charges associated with these principal claims as illustrated in the above table. The claims also include provisional interest charges recorded in the periods in which they are assessed. The Company may face a claim from G Steel in relation to a USD 3.1 million (Baht 104 million) offset which took place between G Steel and one of the End-Use Customers. Refer to Note 1.2 Restructuring Debt of Major Trade Creditors with End-Use Customers. During 2011, the Company has transferred the total amount of provision of performance guarantee to be the liabilities with Major Trade Creditors.

Provision for taxes

The Company has discovered that it has under-recorded certain of its tax-related obligations. The Company has commenced formal discussions to remedy these errors with the relevant tax authorities. The Company has recorded its corrected assessment of these tax obligations and has made assessments for potential penalties and surcharges

The currency denomination of provision as at 31 December was as follows:

	2011	2010
	<i>(in million Baht)</i>	
Thai Baht (THB)	860	739
United States Dollars (USD)	146	778
Total	1,006	1,517

22 Share capital

The movements of share capital for the years ended 31 December 2011 and 2010 were as follows:

		2011		2010	
	<i>Par value per share (in Baht)</i>	<i>Number</i>	<i>Amount (thousand shares / in thousand Baht)</i>	<i>Number</i>	<i>Amount</i>
Authorised					
At 1 January					
-ordinary shares	0.69	58,663,842	40,478,051	58,663,842	40,478,051
At 31 December					
-ordinary shares	0.69	58,663,842	40,478,051	58,663,842	40,478,051



	<i>Par value per share (in Baht)</i>	2011		2010	
		Number	Amount (thousand shares / in thousand Baht)	Number	Amount
Issued and paid up					
At 1 January					
-ordinary shares	0.69	39,702,517	27,394,736	39,702,427	27,394,674
Issue of new shares	0.69	200,825	138,570	90	62
At 31 December					
-ordinary shares	0.69	39,903,342	27,533,306	39,702,517	27,394,736

Issue of ordinary shares

On 12 October 2010, the Company registered the increase of the issued and paid up share capital of Baht 62,100, comprising 90,000 shares with par value of Baht 0.69 per share, as a result of the exercise of the First Warrant (as defined in Note 23).

On 11 January 2011, the Company registered the increase of issued and paid up share capital of Baht 138 million, comprising 200 million shares with par value of Baht 0.69 per share, as a result of the exercise of the “Second Warrants” (as defined in Note 23) of Baht 50 million at the exercise price of Baht 0.25 per share. On 31 December 2011, the Company had issued share capital of 39,903 million ordinary shares with par value of Baht 0.69 per share.

As at 31 December 2010, the Company had issued share capital of 39,703 million ordinary shares with par value of Baht 0.69 per share.

Share premium

Section 51 of the Public Companies Act B.E. 2535 requires companies to set aside share subscription monies received in excess of the par value of the shares issued to a reserve account (“share premium”). Share premium is not available for dividend distribution.

Share premium (discount)

	2011 (in million Baht)	2010
Share premium (discount)		
At 1 January	480	480
Issuance of shares from exercised warrants	(86)	-
At 31 December	394	480

23 Warrants

Warrants

Following are terms and conditions of the warrants:

First Warrants

- The Company allotted 3,234 million “First Warrants” to shareholders whose names appeared in the Company’s share register on 11 April 2000 at the ratio of 1 existing share for 4.5 First Warrants.
- The offering price of a First Warrant was Baht 0.05 per unit.
- One First Warrant is exercisable for one new ordinary share at the initial price of Baht 3.162 per share subject to further adjustments on the occurrence of adjustable events.
- The First Warrants have an eight-year maturity from the issuance date. The last exercise date will be at the expiration of the term of the warrants.
- The exercise date is the last business day of March, June, September, and December, during the term of the warrants, with the exception of the last exercise date. The first exercise date shall be three years following the issuance date of the warrants (31 December 2003). Accordingly, the first exercise date took place on 28 December 2006, and the last exercise date is on the expiration date of the term of the warrants (31 October 2011).

On 31 October 2011, 3,234 million units of the First Warrants remained not exercised and were cancelled by the SET the following day.

Second Warrants

- The Company allotted 5,000 million “Second Warrants” to shareholders whose names appeared in the Company’s share register on 9 February 2010 at the ratio of 7.9405 existing shares for each Second Warrant.
- The offering price of a Second Warrant unit was Baht 0.03 per unit.
- One Second Warrant unit is exercisable for three new ordinary shares at the initial price of Baht 0.25 per share subject to further adjustments on the occurrence of adjustable events. Therefore, in order to exercise a Second Warrant, the holder is required to remit Baht 0.75 per unit to the Company.
- The Second Warrants have a seven-year maturity from the issuance date.
- The Exercise Date is the last business day of June and December of each year, during the term of the Second Warrants, with the exception of the last exercise date. The first exercise date shall be 30 December 2010 and the last exercise date will fall on 12 December 2017. In the event that the last exercise date should fall on an official Company holiday, such date shall be changed to the last business day prior to such last exercise date. The notification period for the last exercise date shall not be less than 15 days prior to the last exercise date.

Employee Stock Option Program Warrants (ESOP Warrants)

- On 11 December 2008, the Company was authorised by the SEC to issue and offer 728 million ESOP warrants (the “ESOP Warrants”), equivalent to 1.83% of the total paid-up share capital of the Company (as of 20 October 2008). The ESOP Warrants are issued to specified holders and are non-transferable, except transfer by an intermediary person, or as otherwise specified by the Board of Directors or the Allocation Committee (an eligible intermediary person is the person who holds the said securities for distribution to all future directors and employees). Details are as follows:
- The offering price of an ESOP Warrant is Baht 0 per unit.
- One ESOP Warrant is exercisable for one new ordinary share (amendable subsequent to any adjustment of the rights under the warrants) at par value at the exercise date (as of 20 October 2008, the par value was Baht 0.69 per share).
- The ESOP Warrants have a five-year maturity from the date of issuance and offering (i.e. the ESOP Warrants expire on 10 December 2013).
- The exercise date is the last business day of December in each year throughout the term of the ESOP Warrants whereby the first exercise date shall be 30 December 2011 and the last exercise date will take place on 10 December 2013. If the exercise date takes place on an official Company holiday, such date shall be changed to the last business day prior to such last exercise date. ESOP Warrants holders will be informed of the last exercise date at least 15 days prior to such date.
- The exercise period and ratio (the percentage of total distribution) that Directors and employees of the Company can exercise their rights under the ESOP Warrants are as follows:

First	20% shall be exercisable on the first exercise date which falls on the last business day of December 2011
Second	30% shall be exercisable on the second exercise date which falls on the last business day of December 2012
Third	50% shall be exercisable on the last exercise date which falls on 10 December 2013.

If ESOP Warrant holders do not exercise or partly exercise their rights on each exercise date, such warrant holders can exercise their remaining warrants on the subsequent exercise date throughout the term of the ESOP Warrants.



The movements of warrants for the years ended 31 December 2011 and 2010 were as follows:

	<i>Offering price of warrant per unit (in Baht)</i>	2011		2010	
		Unit	Amount (thousand units / in thousand Baht)	Unit	Amount
Warrants					
At 1 January					
-First Warrants	0.05	3,233,789	161,689	3,233,879	161,694
-Second Warrants	0.03	5,000,000	150,000	5,000,000	150,000
-ESOP Warrants	0.00	727,536	-	727,536	-
Exercised First Warrants	0.05	-	-	(90)	(5)
Exercised Second Warrants	0.03	(66,942)	(2,008)	-	-
Termination of First Warrants	0.05	(3,233,789)	(161,689)	-	-
At 31 December					
- First Warrants	0.05	-	-	3,233,789	161,689
- Second Warrants	0.03	4,933,058	147,992	5,000,000	150,000
- ESOP Warrants	0.00	727,536	-	727,536	-

24 Reserves

Appropriations of profit and/or retained earnings

Legal reserve

Section 116 of the Public Companies Act B.E. 2535 requires that a public company shall allocate not less than 5% of its annual net profit, less any accumulated losses brought forward, to a reserve account ("legal reserve"), until this account reaches an amount not less than 10% of the registered authorised capital. The legal reserve is not available for dividend distribution.

Other components of equity

Termination of warrants

Upon the cancellation of the 3,234 million units of First Warrants, their carrying value at Baht 0.05 each was transferred from the warrants component of equity to other components of equity for an amount of Baht 162 million.

25 Segment information

Segment information is presented in respect of the Company's geographical segments based on the Company's management and internal reporting structure.

Business segments

Management considers that the Company operates in a single line of business, namely manufacturing of flat-rolled steel products, and has, therefore, only one major business segment.



Geographic segments

In presenting information on the basis of geographic segments, segment revenue is based on the geographic location of customers.

Revenue and gross profit (loss) based on geographic segment, for the years ended 31 December 2011 and 2010 were as follows:

	2011	2010
	<i>(in million Baht)</i>	
<i>Segment revenue</i>		
Domestic	18,429	14,406
Export	178	752
Total	18,607	15,158
<i>Segment result - gross profit</i>		
Domestic	650	245
Export	24	68
Total	674	313

26 Selling expenses

	2011	2010
	<i>(in million Baht)</i>	
Packing expenses	4	4
Domestic shipping expenses	133	123
Export shipping expenses	7	56
Total	144	183

27 Administrative expenses

	Note	2011	2010
		<i>(in million Baht)</i>	
Operating service expenses	5	303	413
Idle costs - depreciation and amortisation expenses	29	143	77
Idle costs - others		50	53
Penalty charges		148	470
Depreciation and amortisation expenses	29	42	74
Employee benefit expenses	29	227	195
Demurrage charges		16	17
Professional and consulting fees		13	16
Donations		3	6
Others		177	144
Total		1,122	1,465

28 Employee benefit expenses

	2011	2010
	(in million Baht)	
Management		
Wages and salaries	28	25
Welfare	4	3
Contribution to provident fund	1	1
	33	29
Other employees		
Wages and salaries	290	265
Welfare	128	102
Contribution to provident fund	17	15
	435	382
Total	468	411

Defined benefit plans

Details of the defined benefit plans are given in Note 20.

Defined contribution plans

The defined contribution plan comprises a provident fund established by the Company for its employees. Membership in the fund is on a voluntary basis. Contributions are made monthly by the employees at rates ranging from 2% to 10% of their basic salaries and by the Company at rates ranging from 3% to 10% of the employees' basic salaries. The provident fund is registered with the Ministry of Finance as a juristic entity and is managed by a licensed Fund Manager.

29 Expenses by nature

The statements of income include an analysis of expenses by function. Expenses by nature disclosed in accordance with the requirements of various TFRS were as follows:

	Note	2011	2010
		(in million Baht)	
Included in cost of sales of goods:			
Changes in inventories of finished goods	9	157	(97)
Raw materials and consumables used	9	14,564	12,208
Depreciation and amortisation expenses		866	666
Employee benefit expenses	28	241	216
Included in administrative expenses:			
Depreciation and amortisation expenses (including in idle cost)	27	143	77
Depreciation and amortisation expenses	27	42	74
Employee benefit expenses	28	227	195
Loss on write-off of assets		-	39
Operating lease expense		4	4



30 Finance costs

		2011	2010
		(in million Baht)	
Finance costs			
- Related party	5	75	63
- Other parties		270	330
- Financial Institution		3	19
Total		348	412

31 Income tax expense

The Company did not record income tax expense in the statement of comprehensive income because the Company incurred losses in the current year and has significant losses brought forward from prior years.

Income tax reduction - current

Royal Decree No. 387 B.E. 2544 dated 5 September 2001 grants companies listed on the Stock Exchange of Thailand a reduction in the corporate income tax rate from 30% to 25% for taxable profit not exceeding Baht 300 million for the five consecutive accounting periods beginning on or after enactment. Listed companies that received income tax reduction under this Royal Decree are also eligible to continue the period of tax reduction under Royal Decree No. 475 but not beyond the 2010 accounting period ending on or after 31 December 2010.

Royal Decree No. 475 B.E. 2551 dated 6 August 2008 grants companies listed on the Stock Exchange of Thailand a reduction in the corporate income tax rate from 30% to 25% for taxable profit not exceeding Baht 300 million for the three consecutive accounting periods beginning on or after 1 January 2008.

32 Promotional privileges

The Board of Investment has approved the granting of promotional privileges to the Company by issuing certificates for the manufacturing of Hot Rolled Coils (BOI privilege for “CSP” project), Direct Reduced Iron (BOI privilege for “DRI” project) and Cold Rolled/Coated products Pickle and Oiled Products and Re-Coil Temper Mill Products (BOI privilege for “PGL” Project).

The privileges granted include:

- (a) exemption from payment of import duty on machinery approved by the Board;
- (b) exemption from payment of income tax for certain operations for a period of eight years from the date on which the income is first derived from such operations;
- (c) a 100% reduction in the normal income tax rate on the net profit derived from certain operations for a period of five years, commencing from the expiry date in (b) above; and
- (d) a deduction for a period of ten years of an amount equal to 5% of the increase in income of certain promoted operations over the income from those operations for the previous year.

As a promoted company, the Company must comply with certain terms and conditions specified in the promotional certificate.



Summary of revenue from promoted and non-promoted businesses:

	Promoted businesses	2011 Non- Promoted businesses	Total	Promoted businesses	2010 Non- Promoted businesses	Total
			(in million Baht)			
Export Sale	178	-	178	752	-	752
Domestic Sale	18,215	214	18,429	14,331	75	14,406
Total Revenue	18,393	214	18,607	15,083	75	15,158

33 Loss per share

Basic loss per share

The calculations of basic loss per share for the years ended 31 December 2011 and 2010 were based on the loss for the years attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding during the years as follows:

	2011 (in million Baht / million shares)	2010 (in million Baht / million shares)
Loss for the year attributable to ordinary shareholders of the Company	1,292	3,672
Number of ordinary shares outstanding at 1 January	39,703	39,702
Effect of shares issued on 11 January 2011	195	-
Weighted average number of ordinary shares outstanding	39,898	39,702
Loss per share (basic) (in Baht)	0.03	0.09

	2010 (in million Baht / million shares)
Loss attributable to ordinary shareholders of the Company (diluted)	3,672
Weighted average number of ordinary shares outstanding (basic)	39,702
Effect of exercise of Second Warrants	15,000
Weighted average number of ordinary shares outstanding (diluted)	54,702
Loss per share (diluted) (in Baht)	0.07

As at 31 December 2010, the exercise price of First Warrants and ESOP Warrants was higher than the fair value of the Company's shares at the end of the year and accordingly these warrants are not included in the calculation of diluted loss per share.

Diluted loss per share for the period ended 31 December 2011 is not presented because the exercise price of the Company's warrants was higher than the market price of the Company's ordinary shares.



34 Financial instruments

As at 31 December 2011 and 2010, the Company had not entered into any derivative contracts to hedge its exposure to foreign currency exchange risk.

Financial risk management policies

The Company is exposed to normal business risks from changes in market interest rates and currency exchange rates and from non-performance of contractual obligations by counterparties. The Company does not hold or issue derivative financial instruments for speculative or trading purposes.

Capital management

The Board's intention is to return to a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board is presently seeking additional capital investment in order to secure the ongoing viability of the Company.

Interest rate risk

Interest rate risk is the uncertainty in value of financial assets and liabilities or net interest income as a result of the fluctuation of the market interest rate. Most of the interest rates of financial assets and liabilities of the Company are floating rates, which are based on market rates.

The effective interest rates of financial assets and financial liabilities as at 31 December and the periods to maturity or re-pricing were as follows:

	Effective Interest rate (% per annum)	Within 1 year	2011		Total
			After 1 year but within 5 years (in million Baht)	After 5 years	
<i>Financial assets :</i>					
Cash and cash equivalents	0.75-2.60	32	-	-	32
Current investment	1.00-1.85	7	-	-	7
Restricted deposits at financial institutions	1.00-1.85	-	177	-	177
		39	177	-	216
<i>Financial liabilities :</i>					
Short-term loan from other parties	6.00-30.00	141	-	-	141
Trade accounts payable (with interest - bearing)	1.00-6.45	3,710	-	-	3,710
Other payable and accrued expenses (with interest - bearing)	1.00	542	-	-	542
Payable to related party from offsetting of machinery purchase	MLR+1	946	-	-	946
		5,339	-	-	5,339



		2010			
	Effective interest rate (% per annum)	Within 1 year	After 1 year but within 5 years (in million Baht)	After 5 years	Total
<i>Financial assets :</i>					
Cash and cash equivalents	0.20 - 0.75	57	-	-	57
Current investment	0.65 - 1.25	5	-	-	5
Restricted deposits at financial institutions	0.75 - 1.25	-	177	-	177
		62	177	-	239
<i>Financial liabilities :</i>					
Short-term loan from other parties	2.50 - 9.00	139	-	-	139
Trade accounts payable (with interest - bearing)	2.00 - 12.00	2,498	-	-	2,498
Payable to related party from offsetting of machinery purchase	MLR+1	-	958	-	958
		2,637	958	-	3,595

Foreign currency risk

The Company is exposed to foreign currency risk relating to purchases and sales which are denominated in foreign currencies.

At 31 December, the Company was exposed to foreign currency risk in respect of financial assets and liabilities denominated in the following currencies:

	Note	2011	2010
<i>United States Dollars</i>		<i>(in million Baht)</i>	
Cash and cash equivalents	7	9	9
Trade accounts receivable	8	14	14
Short-term loans from other parties	15	(127)	(29)
Trade accounts payable	16	(3,058)	(2,298)
Other payables and accrued expenses	17	(1,514)	(840)
Accrued interest expenses		(413)	(343)
Provision	21	(146)	(778)
Other current liabilities	18	(26)	(25)
Liabilities under rehabilitation plan	19	(100)	(96)
Gross exposure in statement of financial position		(5,361)	(4,386)
Estimated forecast purchases		(2,333)	(2,778)
Gross exposure		(7,694)	(7,164)

	Note	2011 (in million Baht)	2010
Euro			
Trade accounts payable	16	(29)	(2)
Other payables and accrued expenses	17	(9)	(10)
Other current liabilities	18	(2)	(5)
Liabilities under rehabilitation plan	19	(9)	(9)
Gross exposure in statement of financial position		(49)	(26)
Estimated forecast purchases		(289)	(277)
Gross exposure		(338)	(303)
Singapore Dollars			
Liabilities under rehabilitation plan	19	(4)	(3)
Gross exposure in statement of financial position		(4)	(3)
Gross exposure		(4)	(3)

Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or counterparty to settle its financial and contractual obligations to the Company as and when they fall due.

At the reporting date there were no significant concentrations of credit risk because the Company has seized to give credit to customers (Refer to Note 8). The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

Liquidity risk

Liquidity risk arises from the difficulty in mobilizing funds for timely and adequately meeting commitments under financial obligations. Liquidity risk may arise from failure to sell financial assets at a price close to the fair value.

The Company has liquidity risk as the Company needs to generate sufficient operating cash flows to meet both its working capital requirements and its operating obligations (see Note 1.4).

Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the Notes specific to that asset or liability.

The fair value of trade and other short-term receivables is taken to approximate the carrying value.

Maturities of financial assets and liabilities

Details of the maturities of financial assets and liabilities have been provided in the relevant notes to the financial statements.

35 Commitments with non-related parties

35.1 Commitments

	2011	2010
	<i>(in million Baht)</i>	
Capital Commitments		
<i>Contracted but not provided for</i>		
Land	-	58
Buildings and other constructions	-	5
Machinery and equipment	-	75
Total	-	138
Lease and service agreement commitments		
Within one year	5	4
After one year but within five years	2	4
Total	7	8
Other commitments		
Bank guarantees	177	177

35.2 Long-term agreements

- On 1 December 2003, the Company entered into a ten-year agreement to purchase natural gas with monthly charges based on consumption.
- On 1 May 2008, the Company entered into a three-year agreement to receive consultation for the most suitable refractory design and for delivery of any refractory consumables. The pricing of the agreement is based on the cost per ton of refractory consumed in each month.
- On 1 November 2004, the Company entered into a twenty-year take-or-pay agreement to purchase oxygen, argon and nitrogen. Minimum payments under the agreement amount to approximately Baht 6 million per month.

	2011	2010
	<i>(in million Baht)</i>	
Long-term agreement commitments		
Within one year	71	71
After one year but within five years	283	282
After five years	553	624
Total	907	977

35.3 Raw material purchase orders

As at 31 December 2011, the Company had outstanding purchase orders for raw materials that have not been delivered to the Company totalling Baht 2,102 million (2010: Baht 2,277 million). The Company has estimated the provision for loss in respect of outstanding purchase orders for raw materials that have not been delivered at approximately Baht 146 million based on comparison with the economic benefits expected to be received in the form of estimated sales prices and the conversion costs of finished products and has recorded the provision for this loss in the financial statements for the year ended 31 December 2011 (Refer to Note 21).



As at 31 December 2011, the Company had agreements to purchase raw materials with various suppliers under consignment agreements, under which the ownership of unreleased raw material belongs to the suppliers. The Company has to pay interest ranging from 1.00% to 6.45% per annum on the unreleased raw materials in addition to the payables balance (as detailed in Note 16) (2010: 2% to 12% per annum).

35.4 Customer advances

As of 31 December 2011, the Company had received advances from customers totalling Baht 560 million (2010: Baht 1,408 million) and had the obligation to deliver goods to the customers in the future.

36 Litigation

36.1 Suppliers complaint pending litigation

In the past, three suppliers filed a complaint against the Company for breach of several agreements related to sales and purchases, rentals and services in the amount of Baht 11 million together with interest at the rate of 7.5% and 18% per annum on the principal amount of Baht 8 million from the date of filing the complaint until the date of full repayment. Presently, in two cases compromises have been reached and confirmed by the Court and the Court ordered the Company to pay the outstanding amount together with further interest amounting to Baht 1.9 million as at 31 December 2011.

36.2 Central Intellectual Property and International Trade Court

According to Black Case No. Kor. Kaw. 5/2548 dated 21 January 2005, the Company has sued a domestic and a foreign financial institution (collectively called "the Defendant"), in the Central Intellectual Property and International Trade Court, in respect of a letter of credit ("the Letter"). The Company considers that the Defendant has breached the conditions of the Letter which caused damage to the Company. The Defendant had made payment to one of the Company's foreign suppliers under the Letter which covered the value of goods to be delivered (amounting to Baht 202 million). The Defendant made payment to the supplier prior to the conditions of the Letter being fulfilled, despite the Company instructing the Defendant to withhold payment until all conditions were met. The Defendant deducted the value of the Letter from the Company's account. The Company did not receive the goods from the supplier. Therefore, the Company has sued the Defendant for damages, including interest and other estimated damages, amounting to Baht 8,594 million.

Presently, the Central Intellectual Property and International Trade Court has dismissed the claim of the Company. The Company does not agree with this decision, therefore, on 24 April 2009, the Company filed an appeal against the lower court's decision to the Supreme Court. The Company accounted for the charge made against the Company's account by the Defendant (Baht 202 million) within "Advance to Suppliers". A full provision was made against this balance during 2008.



36.3 South Bangkok Civil Court

According to Black Case No. 1201/2553, on 5 July 2010, Sriracha Harbour PCL filed a complaint against the Company for the alleged breach of a services agreement and demanded damages of Baht 111 million including interest at the rate of 15% per annum. On 20 April 2011, the Company entered into a compromise agreement with Sriracha Harbour PCL and thus this case is no longer pending in the court. The Company provided for the Baht 60 million remaining principal amount within “Trade Accounts Payable” as at 31 December 2011 (*2010: Baht 84 million*).

37 Contingent liabilities

On 8 June 2011 the Company received a letter from the Board of investment (“BOI”) in which it is alleged that the Company failed to export sufficient quantities of its products in order to offset the imported raw materials on which duties were not assessed by the Customs Department under BOI privilege. In its 8 June 2011 letter, the BOI stated that the Company should pay the duties which were not assessed on the raw materials (as of the 1998 import date) and that the BOI is submitting the matter to the Customs Department for its consideration. The BOI claim stems from a period prior to the effective date of the Company’s rehabilitation plan subsequently approved by the Central Bankruptcy Court.

The Company estimates that the total maximum exposure for such potential claims, should they arise from the Customs Department, is approximately Baht 216 million. To the extent that the Customs Department can demonstrate that such claim was submitted during the rehabilitation process in 1998, the Company will be liable to pay such duty. The Company has not provided for such potential claim as it has not received a claim assessment letter from the Customs Department and it believes such claim was not submitted during the 1998 rehabilitation process.

38 Events after the reporting period

Notice letters for an event of default from creditors

During January 2012 the Company defaulted and received notice letters for an event of default from certain creditors which had claims totalling USD 23 million (Baht 724 million). The Company is in the process of negotiations with these creditors to change and extend the payment schedule.

39 Thai Financial Reporting Standards (“TFRS”) not yet adopted

The Company has not adopted the following new and revised TFRS that have been issued as of the reporting date but are not yet effective. The new and revised TFRS are expected to become effective for annual financial periods beginning on or after 1 January in the year indicated.

TFRS	Topic	Year effective
TAS 12	Income Taxes	2013
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates	2013

Management expects to adopt and apply these new and revised TFRS in accordance with the FAP's announcement and has made a preliminary assessment of the potential initial impact on the Company's financial statements of those new and revised standards assessed to have the greatest potential impact on the financial statements in the period of initial application. These standards are as follows:

TAS 12 – Income taxes

The principal change introduced by TAS 12 is the requirement to account for deferred tax liabilities and assets in the financial statements. Deferred tax liabilities and assets are the amounts of income taxes payable and recoverable, respectively, in future periods in respect of temporary differences between the carrying amount of the liability or asset in the statement of financial position and the amount attributed to that liability or asset for tax purposes; and the carry forward of unused tax losses. Currently, the Company does not recognise deferred tax in the financial statements.

The Company will adopt TAS 12 with effect from 1 January 2013. The effects of the change will be recognised retrospectively in the financial statements and the statement of financial position as at 31 December 2011 will be adjusted accordingly.

Management has determined that the adoption of TAS 12 from 1 January 2013 will not have a significant impact on the Company's reported assets, liabilities or retained earnings.

TAS 21 (revised 2009) – The effects of changes in foreign exchange rates

The principal change introduced by TAS 21 is the introduction of the concept of functional currency, which is defined as the currency of the primary economic environment in which the entity operates. TAS 21 requires the entity to determine its functional currency and translate foreign currency items into its functional currency, reporting the effects of such translation in accordance with the provisions of TAS 21. Foreign currencies are defined by TAS 21 as all currencies other than the entity's functional currency.

Management has determined that the functional currency of the Company is Thai Baht. Accordingly, the adoption of TAS 21 from 1 January 2013 will not have a significant impact on the Company's reported assets, liabilities or retained earnings.

40 Reclassification of accounts

Certain accounts in the 2010 financial statements have been reclassified to conform to the presentation in the 2011 financial statements as follows:

		2010	
	Before reclass	Reclass (in million Baht)	After reclass
<i>Statement of comprehensive income</i>			
Administrative expenses	1,436	29	1,465
Management benefit expenses	29	(29)	-
		-	

The reclassifications have been made because in the opinion of management, the new classification is more appropriate to the Company's business.

