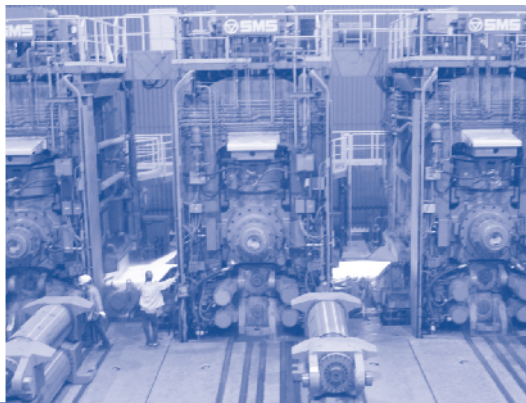


# Annual Report 2012



**GJS**

G J Steel Public Company Limited



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# 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 <sup>th</sup> 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
Date of Establishment	:	5 January 1994
Date of Registration as a Public Company Limited	:	9 August 1995
First Trading Date	:	2 July 1996
Registered Capital	:	THB 129,979,834,014.15
Paid Up Capital	:	THB 71,890,624,848.75
No. Common Shares	:	104,189,311,375 Shares
Par Value	:	THB 0.69
Warrant	:	- GJS-W2: 4,933,058,289 Units - GJS-W3: 3,674,429,663 Units - GJS-W4: 2,754,167,306 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 <sup>th</sup> Floor, Empire Tower, 195 South Sathorn Road, Yannawa, Sathorn, Bangkok 10120 Tel. (66) 0-2677-2000 Fax (66) 0-2677-2222

# Message from the Chairman

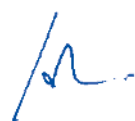
Steel industry is regarded as one of the most important industry in driving the overall country's economic growth. Steel is a major raw material that is widely used in downstream industries, such as those in the construction, automotive, electrical appliance, etc. Potential growth of various downstream industries would lead to the increasing volume of steel consumption. In 2013, it is therefore anticipated that the domestic production and demand would be on the rise, partly from the benefit of the first - time car buyer policy of the government. Even it expired, but the extension of vehicle delivery period was allowed to cope with the production of vehicles on waiting lists under this policy, thereby stimulating the expansion of steel demand. In addition, the government sector investment of 7-year infrastructure overhaul (2013-2020) plan amounting 2.2 trillion Baht for various massive projects, such as road network project, transportation project in double track railway, high-speed train, etc., and the continual demand from private sector had also attributed to soaring steel consumption as a whole.

Currently, the Company was successfully in debt restructuring with its creditors through debenture issuance scheme. It had been implemented for 1 year making significant decrease in the Company's debts. The issuance of new ordinary shares for the existing shareholders has furthered strengthened the Company's working capital and the production was resumed.

Early in 2013, a world-class professional management company in providing advisory services on business rehabilitation, especially heavy industrial business, was employed to help work on management transformation, debt restructuring (turnaround), including the performance development in accordance with the good corporate governance principle. New appointments of the directors and executives in the positions of Chief Executive Officer, Chief Finance Officer, Chief Commercial Officer and Legal Counsel were made in line with the structural change.

The Board of Directors has much confidence that it will enhance the business performance, financial position and efficient operation of the Company. Year of 2013 would be another challenging year that all management team and staff still work actively to achieve the Company's growth on a sustainable pace.

On behalf of the Board of Directors, I would like to take this opportunity to express our deep appreciation to all shareholders, customers, suppliers and business partners for their confidence and unwavering support given to the Company.



(General Lertrat Rattanavanij)  
Chairman



# Chief CSR Report

G J Steel Public Company Limited is committed to conduct the business in conjunction with responsibility for society, community and environment (Corporate Social Responsibility : CSR). In doing so, the Company realize the importance of having good corporate governance, operating in a caring and responsible manner for the community, encouraging the eco-friendly, effective use of resources, focusing on good production for consumers, contribution to the society and communities, development of employees in the areas of welfare, safety, and knowledge. This has been adhered to the Company's core business operation policy.

In 2012, the Company joined in the various CSR programs, especially for the government's program, such as the CSR-DPIM network of the Department of Primary Industries and Mines, Ministry of Industry, energy conversation of the Department of Alternative Energy Development and Efficiency, Ministry of Energy. The Company earned numerous honours which included:

- Trophy and certificate on the CSR-DPIM Network from the Department of Primary Industries and Mines, Ministry of Industry
- Thailand Energy Award 2012 on Energy Conservation, Controlled Factory Category, from the Department of Alternative Energy Development and Efficiency, Ministry of Energy

The company has continued to maintain its intention to support CSR activities and promote the employees to join volunteer activities initiated for sustainable development in society, community and environment aspects.



(Khunying Patama Leeswadtrakul)  
Chief CSR

# Nature of Business

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 Centre will cut the hot rolled coils into different sizes and for further process as required by their end users.

## Major Events and Developments

### 2012

March	On 26 March 2012, the Board of Directors Meeting passed a resolution to propose an issuance of Unsecured Debentures (“Debentures”) valued not exceeding Baht 3,000,000,000 (Three billion Baht) for creditors to restructure debt, under the debt restructuring program of the Company and the group.
July	On 2 July 2012, the Company issued the unsecured debentures of G J Steel Public Company Limited No.1/2012, to be matured for redemption in A.D.2557 to 17 creditors, totaling of 161,613 units with face value of 10,000 Baht per unit, representing total amount of 1,616,130,000 Baht at maturity of 2 years, and interest rate 3% per annum.
November	On 8 November 2012, the Company issued the unsecured debentures of G J Steel Public Company Limited No.2/2012 to be matured for redemption in A.D.2557 to 1 creditor, totaling of 11,451 units with face value of 10,000 Baht per unit, representing total value of debentures 114,510,000 Baht at maturity of 2 years, and interest rate 3% per annum.
December	On 28 December 2012, the Company informed lockout for employees who have labor dispute regarding bonus, wages and welfares until both parties can come to an agreement. This lockout for employees who have labor dispute will not affect the Company as the plant is still not operating.

### 2013

January	On 10 January 2013, the Company has completed registration of the unallocated registered capital decrease in an amount of 3,233,789,388 shares with a par value of Baht 0.69 per share. Thus the Company has
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the registered capital of Baht 38,246,736,527.22, dividing into 55,430,052,938 ordinary shares with a par value of Baht 0.69 per share. On 15 January 2013, the Company has completed registration of additional registered capital of Baht 91,733,097,486.93 to the previous registered capital of Baht 38,246,736,527.22. Thus the registered capital of the Company was Baht 129,979,834,014.15, dividing into 188,376,571,035 shares with a par value of 0.69 per share. Such registration was completely made at the Public Company Limited Registrar, Department of Business Development, Ministry of Commerce.

February On 8 February 2013, the Board of Directors Meeting passed a resolution to approved the allocation of not exceeding 215,909,091 new shares at Baht 0.11 per share to Renaissance Advisory Limited (“RA”) as part of its remuneration. RA will use such newly issued shares of GJS Notes Holdings Co., Ltd. (“GJS Notes”) as the payment for the Company’s newly issued shares, as a result, the payment made to the Company for the newly issued shares is in kind other than in cash; and approved that the valuation share exchange is at the ratio of 1 GJS Notes share to 72.727 shares of the Company and approved the valuation of the shares in GJS Notes to be exchanged for the Company’s new shares to be issued to The Brooker Group Public Company Limited and/or its subsidiaries in lieu of their fees at the ratio of 1 GJS Notes share to 100 shares of the Company.

### Revenue Structure

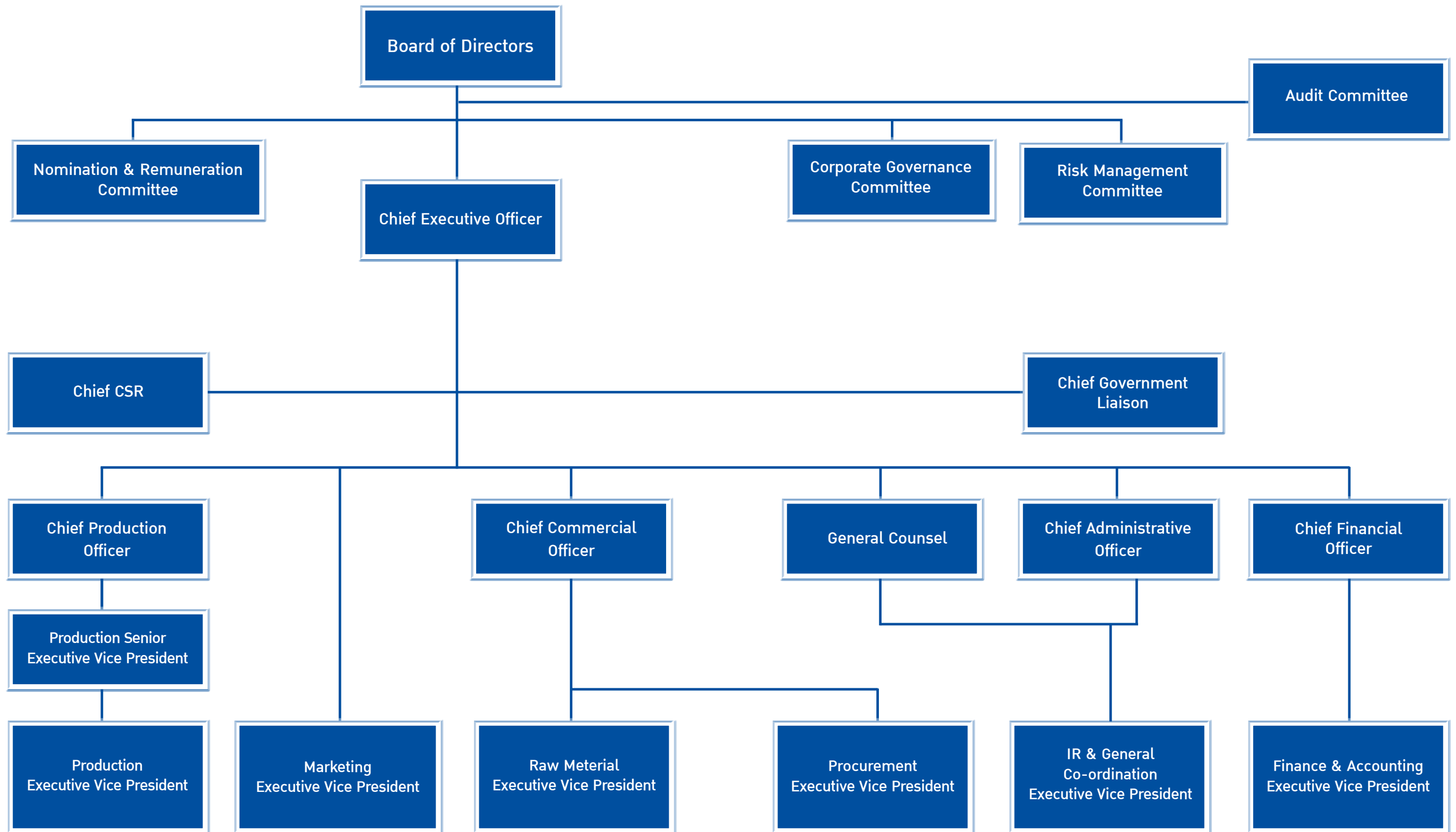
Due to the steel market decelerated over the year 2012, the Company’s sales volume and selling prices have decreased by THB 10,705 million or equivalent to 58 %

	2012		2011		2010	
	THB Million	%	THB Million	%	THB Million	%
Sales						
Hot Roll Coil (HRC)	7,732.69	93.44	18,063.39	96.60	14,091.75	87.17
Recoil Temper Mill (RTM)	70.87	0.86	303.55	1.62	962.25	5.95
Cut Sheet	-	-	-	-	0.19	0.00
Raw material & iron unit	98.99	1.20	240.50	1.29	103.87	0.64
Interest Income	4.74	0.06	2.65	0.01	2.17	0.01
Other Income						
Gain on foreign exchange	155.41	1.88	-	-	571.69	3.54
Reversal of provision for loss on confirmed purchase orders for undelivered raw material	-	-	-	-	128.02	0.79
Reversal of bad and doubtful debts expense	7.00	0.08	20.22	0.11	275.75	1.71
Gain from restructuring	191.07	2.31	-	-	-	-
Other income	15.14	0.18	68.87	0.37	29.61	0.18

### Business Objectives

Expecting to see the economic improvement in year 2013 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 economies of scale. We will then catch up with the market to accommodate the increasing demand so as to generate the profit from this production strategy. However, the additional working capital is required while the process of obtaining such resources is being undertaken.

# Organization Chart





# Board of Directors

## 1. Board of Directors

Name-Surname/Position	Age (Year)	Education	% of shareholding	Relation	Work Experience for the Past 5 Years		
					Time	Position	Organization
I. General Lertrat Ratanavanich Chairman of the Board of Directors	65	- BSCE, The Citadel, USA	None	None	Present	- Chairman	- G J Steel Plc.
		- MSCE, Massachusetts Institute of Technology, USA			Present	- Chairman	- G Steel Plc.
		- MSSM, University of Southern California, USA			2003 - Present	- Royal Bodyguard	
		- Honorary Doctorate (Development Administration) Maejo University			2000 - Present	- Judiciary	- Supreme Military Court
		- Honorary Doctor of Philosophy (Sustainable Energy and Environment Technology and Management), Rajamangala University of Technology Rattanakosin			2006 - Present	- Honorary Vice President	- Amateur Athletics Association of Thailand under the Royal Patronage of H.M. the King
		- Honorary Doctor of Philosophy (Public Administration), Eastern Asia University			2011 - Present	- Director	- PTT Exploration and Production Plc.
		- Directors Certification Program (DCP) 30/2003			2008 - 2011	- Senator and Chairman	- Energy Standing Committee Senate of Thailand
		- Role of the Chairman Program (RCP) 1/2000			2012 - Present	- Chairman	- Thailand Professional Qualification Institute (Public Organization)
		- Finance for Non – Finance Directors (FND) 1/2003					
		- Role Of The Compensation Committee (RCC) 13/2011					
		- Financial Statements for Directors (FSD) 13/2011					
		- Role of the Chairman Program (RCP) 28/2012					

Name-Surname/Position	Age (Year)	Education	% of shareholding	Relation	Work Experience for the Past 5 Years		
					Time	Position	Organization
2. Dr. Somsak Leeswadtrakul Vice Chairman	60	<ul style="list-style-type: none"> <li>- Wharton-Nida Executive Leadership Program, University of Pennsylvania</li> <li>- Leadership Program, Capital Market Academy</li> <li>- The Program of Capital Market Academy</li> <li>- The Program of Senior Executive in Criminal Justice Administration</li> <li>- Honorary of Doctorate (General Administration) Ramkhamhaeng University</li> <li>- Honorary of Doctorate in Administration, Kasetsart University</li> <li>- Doctor of Philosophy (Musicology) Mahidol University</li> <li>- MBA, Ramkhamhaeng University</li> <li>- B. Econ., Ramkhamhaeng University</li> <li>- Director Accreditation Program (DAP)</li> <li>- Director Certification Program(DCP) The Role of Chairman Program (RCP)</li> <li>- Financial Statement for Directors (FSD) Thai Institute of Directors (IOD)</li> </ul>	None	<ul style="list-style-type: none"> <li>- Father of Mr. Sittisak Leeswadtrakul</li> </ul>	Present	- Vice Chairman of the Board of Director	- G J Steel Plc.
					Present	- Vice Chairman of the Board of Director	- G Steel Plc.
					1995 – 2009	- Chairman of the Executive Committee and Chief Executive Officer	- G Steel Plc.
					Present	- Honorary President	- Association of Thai Metal
					"	- Advisor	- The Federation of Thai Industries
					"	- Board Member	- Iron Steel Institute of Thailand
					"	- Director	- Thailand Iron Works Plc.
					"	- Council Members	- National Institute of Development and Administration (NIDA)
					"	- Distinguished Member	- Ramkhamhaeng University
					"	- Council Members	- Saint Louis College
					"	- Investment Policy Governance Committee Member	- National Institute of Development and Administration (NIDA)
					"	- Audit Committee	- Ramkhamhaeng University
					"	- Etiquette Committee	- Ramkhamhaeng University
					"	- Board of Director Member	- World Vision Foundation of Thailand
					"	- Director	- Salesian Sisters 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, & Chairman of Corporate Governance	70	<ul style="list-style-type: none"> <li>- M.B.A. (International Trade &amp; Finance), Gothenburg School of Economics and Business Administration, Sweden</li> <li>- Bachelor of Arts (Hon., First Class) Faculty of Commerce and Accountancy, Thammasat University</li> <li>- Certificate, Capital Market Academy Leadership Program, Class 2</li> <li>- Thailand National Defence College (TNDC.) 377</li> <li>- Director Accreditation Program (DAP) 85/2007 Thai Institute of Directors (IOD)</li> </ul>	None	None	2009 - Present   2009 - Present  2011 - Present	<ul style="list-style-type: none"> <li>- Independent Director, Chairman of Audit Committee, and Chairman of Corporate Governance</li> <li>- Consultant, Real Estate Business Program</li> <li>- Director</li> </ul>	<ul style="list-style-type: none"> <li>- G J Steel Plc.</li> <li>- Thammasat University</li> <li>- AIRA Capital Plc.</li> </ul>
4. Assoc. Prof. Sukanya Tantanawat Independent Director & Audit Committee	59	<ul style="list-style-type: none"> <li>- Master of Development Economics Nation Institute of Development Administration (NIDA)</li> <li>- Bachelor of Arts in Economics, Chulalongkorn University</li> </ul>	None	None	2010 - Present  Present	<ul style="list-style-type: none"> <li>- Independent Director &amp; Audit Committee</li> <li>- Director of Graduate Studies</li> </ul>	<ul style="list-style-type: none"> <li>- G J Steel Plc.</li> <li>- Ramkhamheang University</li> </ul>
5. Mrs.Churairat Panyarachun Independent Director, Audit Committee, Member of Corporate Governance, & Chairman of Nomination and Remuneration Committee	58	<ul style="list-style-type: none"> <li>- Master of Arts Program in Leadership in Society, Business and Politics, Rangsit University</li> <li>- Master of Science in Economics, Kasetsart University</li> <li>- Bachelor of Arts in Economics, Kasetsart University</li> <li>- Graduate Diploma in Management of Public Economy, King Prajadhipok's Institute, 2007</li> <li>- Director Certificate Program (DCP) 2003</li> </ul>	None	None	Present   2009 - 2011	<ul style="list-style-type: none"> <li>- Independent Director, Audit Committee, Member of Corporate Governance, and Chairman of Nomination and Remuneration Committee</li> <li>- President</li> </ul>	<ul style="list-style-type: none"> <li>- G J Steel Plc.</li> <li>- Thai Asset Management Corporation</li> </ul>



Name-Surname/Position	Age (Year)	Education	% of shareholding	Relation	Work Experience for the Past 5 Years		
					Time	Position	Organization
5. Mrs.Churairat Panyarachun Independent Director, Audit Committee, Member of Corporate Governance, & Chairman of Nomination and Remuneration Committee (Continue)					2000 – 2004  2011 - Present  2004 - Present  2005 - Present	- President  - Advisor  - Associated Judge  - Director	- Sukhumvit Asset Management Co., Ltd - National Economic and Social Advisory Council - Juvenile and Family Court, Nonthaburi Province - Foundation of Juvenile and Family Court, Nonthaburi Province
6. Mr. Ivo Naumann Director	43	- Master's degree in business administration from the University of Trier, Germany - Business Administration and International relations study at Sophia University in Tokyo, Japan - Chinese Language at the Mandarin Training Center in Taipei, Taiwan	None	None	Present Present 2007 - Present  2003 - 2007  2001 - 2003	- Director - Director - Managing Director and head of China - China Partner and China CFO - Director	- G J Steel Plc. - G Steel Plc. - AlixPartners Asia LLC, Shanghai  - Roland Berger Strategy Consultants, Shanghai - Charles Schwab & Co., Inc., San Francisco, USA
7. Mr. Flemming Jensen Director & Chief of Commercial Officer	66	- Bachelor of Science in International Trade and Logistics- Handelshøjskolen København, Denmark - Internship: Dan Transport A/S, Copenhagen - International Shipping, Logistics and Business	None	None	Present  Present  1987 - 2013  1983 - 1987 1979 - 1983  1970 - 1979	- Director & Chief of Commercial Officer - Director & Chief of Commercial Officer - President - President - Senior Trader - Trader	- G J Steel Plc. - G Steel Plc.  - Stena Metal Inc., Stamford, Connecticut, USA - Boliden Steeltrade, USA - Primary Industries, (UK) Ltd., London, UK - Stena Metall AB, Sweden

Name-Surname/Position	Age (Year)	Education	% of shareholding	Relation	Work Experience for the Past 5 Years		
					Time	Position	Organization
8. Mr. William Anthony Gloyne Director & Chief of Financial Office	62	- Grammar School Education, England, UK	None	None	Present	- Director & Chief of Financial Office	- G J Steel Plc.
					Present	- Director & Chief of Financial Office	- G Steel Plc.
					2007-2013	- Director and Chief Financial Officer	- Bangkok Mass Transit System Public
					1998-2007	- Independent Financial Consultant	- World Bank Group and Asian Development Bank
9. Mr. Paniti Junhasavasdikul Director, the Nomination and Remuneration Committee & General Counsel	41	- LL.M. University of California at Berkeley, Boalt Hall, California, USA - LL.B. Chulalongkorn University, Faculty of Law - Director Certificate Program (DCP) 113, Thai Institute of Directors	None	None	Present	- Director, the Nomination and Remuneration Committee & General Counsel	- G J Steel Plc.
					Present	- Director, the Nomination and Remuneration Committee & General Counsel	- G Steel Plc.
					2000 - Present	- Director	- Lighthouse Co., Ltd.
					2010 - 2012	- General Partners / Managing Director	- Lakeshore Capital Partners (Private Equity)
					2010 - 2011	- Acting Counsel	- Italian Thai Power Co., Ltd.
					2007 - 2010	- Equity Partner/Country Managing Director	- Thailand DFDL (Legal)
					2005 - Present	- International Corporate Counsel	- International Corporate Counsel CDG, ESRI (Thailand), Globetech Director Affiliate of Global Beauty (GBIL) invested by Private Equity (EQT) Fund

Name-Surname/Position	Age (Year)	Education	% of shareholding	Relation	Work Experience for the Past 5 Years		
					Time	Position	Organization
10. Mr. Chanathip Trivuth Director the Nomination and Remuneration Committee & Chief Administrative Officer	49	<ul style="list-style-type: none"> <li>- Master of Business Administration, National Institute of Development Administration (NIDA)</li> <li>- Bachelor of Arts (Economics), Thammasat University</li> <li>- Director Accreditation Program (DAP) 64/2007</li> <li>- Thai Institute of Directors (IOD)</li> </ul>	None	None	Present	- Director the Nomination and Remuneration Committee & Chief Administrative Officer	- G J Steel Plc.
					Present	- Chief Administrative Officer	- G Steel Plc.
					2006 - Present	- Director	- Asia Metal Plc.
					2004 - Present	- Director	- Felix River Kwae Resort (Kanchanaburi) Co., Ltd.
					2004 - 2006	- Associated Judge	- Central Labour Court
					2001 - Present	- Director and Managing Director	- S.S.P Place Co., Ltd.
					1999 - Present	- Managing Director	- Great Siam Steel Work Co., Ltd.
11. Mr. Sittisak Leeswadtrakul Vice President: Commercial	35	<ul style="list-style-type: none"> <li>- General Engineering, Queen Mary University (London)</li> <li>- Master of Business Administration (Business Modeling and Analysis), Mahidol University</li> <li>- Director Certificate Program (DCP) 163/2012, Thai Institute of Directors</li> <li>- Advanced Certificate Senior Executives, MIT Sloan Executive Education, United States of America (Attending)</li> <li>- Executive Education Programs, Harvard Business School, Boston, United States of America</li> </ul>	None	Son of Dr. Somsak Leeswadtrakul	Present	- Vice President: Commercial	- G J Steel Plc.
					2008 - 2011	- Senior offer, steel division	- Mitsui & Co. (Thailand) Ltd.
					2006 - 2008	- Business Assistant, steel division	- Mitsui & Co. Europe Plc.



## 2. Management

Name-Surname/Position	Age (Year)	Education	% of shareholding	Relation	Work Experience for the Past 5 Years		
					Time	Position	Organization
1. Mr. Eric E Thompson Chief Executive Office	41	<ul style="list-style-type: none"> <li>- MBA in international business from the University of Chicago</li> <li>- Bachelor of Arts degree from Duke University</li> </ul>	None	None	Present Present 2011 - Present  2012 2010 - 2011 2009 - 2010	<ul style="list-style-type: none"> <li>- Chief Executive Office</li> <li>- Chief Executive Office</li> <li>- Managing Director</li>   <li>- General Manager Asia</li> <li>- CEO and CRO</li> <li>- CEO and CRO</li> </ul>	<ul style="list-style-type: none"> <li>- G J Steel Plc.</li> <li>- G Steel Plc.</li> <li>- AlixPartners, Hong Kong and Singapore</li>   <li>- FCI-ELX</li> <li>- Rubicon Offshore International</li> <li>- ASAT Holdings Ltd.</li> </ul>
2. Mr. John Gregory Olson Chief Production Officer	47	<ul style="list-style-type: none"> <li>- MBA, Amoss Tuck School of Business Administration, Dartmouth College, Hanover, New Hampshire, USA</li> <li>- AB Dartmouth College, Hanover, New Hampshire, USA</li> </ul>	None	None	Present Present 2003 - Present	<ul style="list-style-type: none"> <li>- Chief Production Officer</li> <li>- Chief Production Officer</li> <li>- Director</li> </ul>	<ul style="list-style-type: none"> <li>- G J Steel Plc.</li> <li>- G Steel Plc.</li> <li>- AlixPartners</li> </ul>
3. Mr. Somchai Leeswadtrakul Chief Government Liaison	51	<ul style="list-style-type: none"> <li>- M.A. in Political Science, Ramkhamhaeng University</li> <li>- BAA, Northrop University, USA</li> <li>- Business course, Columbus Business University, USA</li> <li>- The Real Estate Executive Association of Chulalongkorn University.</li> </ul>	None	Brother of Dr. Somsak Leeswadtrakul	Present ” ” ” ” ” ” ”	<ul style="list-style-type: none"> <li>- Chief Government Liaison</li> <li>- Chief Government Liaison</li> <li>- Chairman of the Executive Committee</li> <li>- President</li> <li>- Vice President</li> <li>- Executive Director</li> <li>- Executive Director</li> <li>- Senior Executive in Criminal Justice Administration</li> <li>- Institute of Judicial Officer Department</li> </ul>	<ul style="list-style-type: none"> <li>- G J Steel Plc.</li> <li>- G Steel Plc.</li> <li>- Sukhumvit Inter Development</li>   <li>- Siam Power Generation Co., Ltd</li> <li>- Pacific Ocean Shipping Co., Ltd</li> <li>- Siam Property Service Co., Ltd.</li> <li>- S.S.P Place Co., Ltd.</li> <li>- National Justice Academy</li>   <li>- Office of Court of Justice</li> </ul>

# Shareholders and Management Structure

## Shareholders

As at 27 February 2013, the major shareholders of the Company are as follows:

No.	Name	No. of Shares	% of Paid-up Capital
1	G Steel Public Company Limited	24,134,342,087	23.16
2	Nomura Singapore Limited-Customer Segregated Account	10,864,560,375	10.43
3	GS Securities Holdings Company Limited	6,512,141,586	6.25
4	Quam Securities Company Limited A/C client	6,006,073,165	5.76
5	Oriental Access Company Limited	4,125,000,000	3.96
6	Thai NVDR Company Limited	3,984,211,475	3.82
7	Mr. Chalermchai Mahakijisiri	3,642,973,750	3.50
8	Mrs. Sunee Triyangkoolsri	1,607,977,750	1.54
9	HSBC Private Bank (SUISSE) SA	1,400,000,000	1.34
10	Mr. Surapan Tatiyamaneeekul	715,854,000	0.69
	Other shareholders	41,196,177,187	39.55
	<b>Total</b>	<b>104,189,311,375</b>	<b>100.00</b>

Source: Thailand Securities Depository Company Limited (TSD)

# Management Structure

## 1. Board of Directors

The Board of Directors has 11 members comprises of the Chairman who is an independent director, 3 Independent Directors and 7 Executive Committees as follows.

No.	Name/Representatives	Position
1.	General Lertrat Ratanavanich * <sup>1</sup>	Independent Director/ Chairman
2.	Dr. Somsak Leeswadtrakul	Vice Chairman
3.	Mr. Chanathip Trivuth	Director
4.	Mr. Ivo Naumann* <sup>1</sup>	Director
5.	Mr. William Anthony Gloyne* <sup>1</sup>	Director
6.	Mr. Flemming Jensen* <sup>1</sup>	Director
7.	Mr. Sittisak Leeswadtrakul	Director
8.	Mr. Paniti Junhasavasdikul* <sup>2</sup>	Director
9.	Assoc. Prof. Niputh Jitprasonk	Independent Director/Chairman of Audit Committee
10.	Assoc. Prof. Sukunya Tantanawat	Independent Director/ Member of Audit Committee
11.	Mrs. Churairat Panyarachun* <sup>2</sup>	Independent Director/ Member of Audit Committee

Remark: \*1. The Resolutions of the Board of Directors' Meeting No. 1/2013 on 17 January 2013, the Meeting acknowledged the resignation of 2 directors were 1) Mr. Ryuzo Ogino position Chairman 2) Mr. Isra Akrapitak position Director. And has resolution appointing 2 new directors for substitution were 1) General Lertrat Ratanavanich position Director (remaining period instead of Mr. Mr. Ryuzo Ogino) 2) Mr. Ivo Naumann position Director (remaining period instead of Mr. Isra Akrapitak). And has resolution appointing 2 new directors were 1) Mr. Flemming Jensen (replacing Mr. Nibhat Bhukkanasut who resigned before complete term) 2) Mr. William Anthony Gloyne (replacing Mr. Ahab G. Garas who resigned before complete term)

\*2. The Resolutions of the Board of Directors' Meeting No. 2/2013 on 21 January 2013, the Meeting acknowledged the resignation of 2 directors were 1) Mr. Sittichai Leeswadtrakul position Director 2) Mrs. Arthidaya Sutatam position Independent Director / Member of Audit Committee. And has resolution appointing 2 new directors for substitution were 1) Mr. Paniti Junhasavasdikul (remaining period instead of Mr. Sittichai Leeswadtrakul) 2) Mrs.Churairat Panyarachun (remaining period instead of Mrs. Arthidaya Sutatam)

Authorised Director: Mr. Chanathip Trivuth or Mr. Ivo Naumann or Mr. Sittisakl Leeswadtrakul or Mr. Flemming Jensen or Mr. Paniti Junhasavasdikul, two of these five directors can together sign a document with the Company's seal affixed

Secretary Company: Ms. Manachai Kaoprapan



## 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 Audit Committee

No.	Name/Representatives	Position
1.	Assoc. Prof. Niputh Jitprasonk	Chairman of Audit Committee
2.	Assoc. Prof. Sukunya Tantanawat	Member of Audit Committee
3.	Mrs. Churairat Panyarachun* <sup>1</sup>	Member of Audit Committee

Remark: \*1. The Resolutions of the Board of Directors' Meeting No. 2/2013 on 21 January 2013 The Meeting has resolution appointing 1 Member of Audit Committee for substitution was Mrs. Churairat Panyarachun to be Member of Audit Committee (remaining period instead of Mrs. Arthiditaya Sutatam)

#### 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 disclosure 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.

3. The Nomination and Remuneration Committee

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

Responsibilities of the Nomination and Remuneration Committee

1. To formulate criteria and policy in nominating directors, members of different committees and the Chief Executive Officer.
2. To consider and nominate appropriate persons to be appointed as directors, and members of different committees as well as the Chief Executive Officer for approval by the Board of Directors and/or Shareholders' Meeting.
3. To stipulate all rules and policies on remunerations for the Board of Directors, committees and Chief Executive Officer for the approval by the Board of Directors and/or, as the case may be, the shareholders' meeting.
4. To set necessary and appropriate annual remunerations for the Board of Directors, committees and the Chief Executive Officer.
5. To report to the Board of Directors the Nomination and Remuneration Committee meeting results or other matters the Board of Directors should be informed.
6. To perform any tasks assigned by the Board of Directors.



#### 4. The Corporate Governance Committee

No.	Name/Representatives	Position
1.	Assoc. Prof. Niputh Jitprasonk	Chairman of the Corporate Governance Committee
2.	Mrs. Churairat Panyarachun	Member of the Corporate Governance Committee
3.	Mr. William Anthony Gloyne	Member of the Corporate Governance Committee

##### Scope of Powers and Authorities of the Corporate Governance Committee

Given the fact that the Corporate Governance Committee was created by the resolution of the Board of Directors Meeting No. 5/2013, held on 20 March 2013, the scope of its powers and authorities has yet been concluded.

#### 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. 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. Eric E. Thompson	Chief Executive Officer
2.	Mr. Flemming Jensen	Chief Commercial Officer
3.	Mr. William Anthony Gloyne	Chief Financial Officer
4.	Mr. John Gregory Olson	Chief Production Officer
5.	Mr. Chanathip Trivuth	Chief Administrative Officer
6.	Mr. Somchai Leeswadtrakul	Chief Government Liaison
7.	Mr. Paniti Junhassvadikul	General Counsel

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 2012

Unit : Baht

No.	Name	Position	Monthly Remuneration	Remuneration of Board of Directors	Remuneration of Audit Committee	Total
1.	Mr. Ryuzo Ogino	Chairman	-	-	-	-
2.	Dr. Somsak Leeswadtrakul	Vice Chairman	-	-	-	-
3.	Assoc. Prof. Niputh Jitprasonk	Independent Director & Chairman of Audit Committee	720,000	45,000	40,000	805,000

4.	Mrs. Arthiditaya Sutatam	Independent Director & Member of Audit Committee	120,000	15,000	10,000	145,000
5.	Assoc. Prof. Sukunya Tantanawat	Independent Director & Member of Audit Committee	120,000	45,000	40,000	205,000
6.	Mr. Chanathip Trivuth	Director	-	-	-	-
7.	Mr. Sittichai Leeswadtrakul	Director	-	40,000	-	40,000
8.	Mr. Isra Akrapitak	Director	-	-	-	-
9.	Mr. Sittisak Leeswadtrakul	Director	-	-	-	-
<b>Total</b>			<b>960,000</b>	<b>145,000</b>	<b>90,000</b>	<b>1,195,000</b>

At present, the Board of Directors comprise of 11 Directors as follows:

No.	Name/Representatives	Position
1.	General Lertrat Ratanavanich * <sup>1</sup>	Chairman /Independent Director
2.	Dr. Somsak Leeswadtrakul	Vice Chairman
3.	Assoc. Prof. Niputh Jitprasonk	Chairman of Audit Committee /Independent Director
4.	Assoc. Prof. Sukunya Tantanawat	Member of Audit Committee /Independent Director
5.	Mrs. Churairat Panyarachun	Member of Audit Committee /Independent Director
6.	Mr. Chanathip Trivuth	Director
7.	Mr. Ivo Naumann	Director
8.	Mr. William Anthony Gloyne	Director
9.	Mr. Flemming Jensen	Director
10.	Mr. Sittisak Leeswadtrakul	Director
11.	Mr. Paniti Junhasavasdikul* <sup>2</sup>	Director

2. Remuneration for the Management team for the year 2012 was amounting to THB 32 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:



<b>Nature</b>	Warrants to purchase ordinary share of G J Steel Public Company Limited (“Warrants” or “GJS-ESOP”)	
<b>Type of Warrants</b>	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)	
<b>Number of Warrants</b>	727,536,398 units	
<b>Number of Shares Issued to Support Warrants</b>	727,536,398 shares	
<b>Offering Method</b>	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)	
<b>Offering Price</b>	THB 0 (Zero) per unit	
<b>Terms of Warrants</b>	5 year	
<b>Issuing Date</b>	December 11, 2008	
<b>Exercise Ratio</b>	1 warrant : 1 ordinary share	
<b>Exercise Price</b>	Par Value at exercise date	
<b>Exercise Date</b>	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.	
<b>Exercise Period and Ratio (percentage of total distribution)</b>	First	20% shall be exercisable on the first exercise date which fall on the last business day of December 2011
	Second	30% shall be exercisable on the second exercise

date which fall on the last business day of December 2012

Third 50% shall be exercisable on the last exercise date which falls on December 10, 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.

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.

**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 2012, the Annual General Meeting of the Shareholders was held on 30 April 2012 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 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 Form A (general), Form B and Form 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 2012, the Board of Directors has the total Meetings of 9 times. Details of the attendance in each meetings are as follows:

No.	Name	Position	Attendance/ No. of meeting
1.	Mr. Ryuzo Ogino	Chairman	8/9
2.	Dr. Somsak Leeswadtrakul	Vice Chairman	8/9
3.	Mr. Chanathip Trivuth	Director	8/9
4.	Mr. Isra Akrapitak	Director	9/9
5.	Mr. Sittichai Leeswadtrakul	Director	8/9
6.	Mr. Sittisak Leeswadtrakul	Director	8/9
7.	Assoc. Prof. Niputh Jitprasonk	Independent Director	9/9
8.	Assoc. Prof. Sukunya Tantanawat	Independent Director	9/9
9.	Mrs. Arthidaya Sutatam	Independent Director	3/9

Remark: \*2. The Resolutions of the Board of Directors' Meeting No. 2/2013 on 21 January 2013, the Meeting acknowledged the resignation of 2 directors were 1) Mr. Sittichai Leeswadtrakul position Director 2) Mrs. Arthidaya Sutatam position Independent Director / Member of Audit Committee. And has resolution appointing 2 new directors for substitution were 1) Mr. Paniti Junhasavasdikul (remaining period instead of Mr. Sittichai Leeswadtrakul) 2) Mrs. Churairat Panyarachun (remaining period instead of Mrs. Arthidaya Sutatam)

## 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, segregation of position, and organizational reformation consistent with business strategy. This involves the recruitment of well qualified staff, supporting staff training and development for coping with business change, and determining the business target based on various factors, e.g. economic issue, market situation and competition strategy.

The Company has identified risk factors, probability of occurrence, risk impact, development of risk handling strategies to manage the risk within the acceptable level. The risk warning system is also established to prevent or decrease risks that may arise.

The Company has set up the appropriate control activities in order to operate the business efficiently, such as scope of duties and level of each authority are clearly defined, business operations are continually monitored, and having the system to control the transactions with major shareholders, directors, executives and related persons.

The Company has established the Internal Audit Department to conduct the business operation audit as well as the Legal Department to ensure the compliance with any applicable rules, regulations, and legislations. The specialists are employed to provide the advice, and guideline to clarify any concerns for enhancing that the Company's business operations and activities are in line with the determined plan.

The Board of Directors has appointed the Audit Committee to consider and justify a rational of the related transactions, as well as the internal control system. Audit Committee would attend a joint meeting with the auditor and making review of the financial statements and financial information disclosure together with considering an annual audit plan. Internal Audit Department, as assigned by the Board of Directors, directly report the audit examination results to the Audit Committee to ensure the independence of Internal Audit Department. In addition, the Risk Management Committee has been appointed to help develop the Company's business performance and mitigate various business risks to acceptable levels.

# Risk Factors

## 1. Risks associated with fluctuation in price of raw materials

Scrap and Pig Iron are major raw materials for the Company's production whereby the increase in their prices affect Company's profitability unless the Company can effectively adjust the price of its finished products accordingly. This may 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 change 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 fluctuate in the same direction.

## 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. To enable the Company to have sufficient working capital, the Company offered issued new shares and warrants as follows.

New shares and warrants were offered to existing shareholders during the period of 24 to 30 January 2013.

The Company notified on 13 February 2013 the results of sales of 64,286 newly-issued ordinary shares at the par value of 0.69 Baht per share as follows.

### a) To Existing shareholders

A total of 59,855 million ordinary shares were allocated to existing shareholders at the proposed purchasing price of 0.08 Baht per share. A total of 36,744 million shares were subscribed and payment in the amount of 2,940 million Baht was received. G STEEL and OAC renounced their right to subscribe for the remaining 23,111 million ordinary shares.

### b) Offering for sales on private placement basis to G STEEL and/or its subsidiary companies

A total of 28,503 million ordinary shares were allocated to G STEEL and/or its subsidiary companies on private placement basis at the proposed purchasing price of 0.08 Baht per share, of which 27,541 million shares of G STEEL and its subsidiary companies were subscribed and paid by converting the Company's outstanding debt of 2,051 million Baht into equity and paying 152 million Baht in cash. From this allocation, 962 million shares were unsubscribed. The remaining 24,073 million shares not subscribed by existing shareholders and, on private placement basis, by G STEEL and/or its subsidiary companies would be submitted to the shareholder meeting for further consideration.

On 14 February 2013, the Company announced the result of the third issuance and allocation of warrants to existing shareholders who exercised the right to subscribe for new shares, 3,675 million units of the third warrants were allocated at the proposed purchasing price of 0 Baht per share (Zero Baht). The remaining 2,311 million units were not allocated because GSTEEL and/or its subsidiary companies renounced their rights to subscribe for new ordinary shares.

On 27 February 2013, the Company announced the result of the fourth issuance and allocation of warrants to GSTEEL and/or its subsidiary companies who exercised the right to subscribe for new shares, 2,850 million units of the fourth warrants were allocated at the proposed purchasing price of 0 Baht (Zero Baht), and 96 million units of warrants were unscribed from this allocation.

The unscribed warrants and ordinary shares would be submitted to the shareholder meeting for further consideration.

### **3. Risks associated with fluctuation of foreign exchange rate**

There are a limited numbers of raw materials in the country, the Company therefore supplied from the foreign countries and had transactions made in various currencies. As a result, the fluctuating exchange rate was one of the risk factors. In 2012, the Company imported the raw materials equivalent to 82% of the total cost of production. Therefore, the risks associated with the fluctuation of foreign exchange rate would be deemed as one of the significant factors to the Company's operation as stated in the 2012 Statement of Incomes whereby the Company has recorded both realized and unrealized gain on exchange rate in amount of THB 155 million. In 2011, the Company has realized and unrealized loss on exchange rate in amount of THB 290 million. The increase or decrease of the exchange rate is a major risk factor to Company's operation.

### **4. Risks associated with government policy**

#### **1. Free Trade Agreement**

With the government's policy to enter the Free Trade Agreement (FTA) with the other countries either bilateral or multi-lateral pattern such as ASEAN FTA, Japan Thai Economic Partnership Agreement (JTEPA), ASEAN-China FTA, ASEAN-Korea FTA, etc. the Hot Roll Coil import duty was reduced to 0-5 %. Therefore, this reduction will increase the importation of Hot Rolled Coil and will directly impact the company's market share and other domestic manufacturers.

However, disadvantages in importing goods from overseas are in respect of the delivery time, quantities to be ordered, quality assurance and after-sales services. Consequently, if there is not much difference in the prices, the Company is confident that it will still be able to maintain its market share. Moreover, the Company recognizes the significance of production cost reduction by emphasizing on raw materials and efficient use of energy, with G Steel Public Company Limited, its partner in jointly procurement of raw materials including exchange of production technologies to ensure efficient production with low costs. The Company is, therefore, confident that, with fair competition and without dumping, the Company will be able to compete against imported goods.



## **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 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 tend to engage in dumping market (export its product at lower price than those offered domestically) whether with intention or without was on the rise. 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. In December 2012, the Government Sector introduced an anti-dumping tax policy for flat hot-rolled steel added boron originated from the People's Republic of China for 5 years. This will help reducing the fluctuation in prices. However, the market dumping may continue to exist from other countries. Therefore, the Company together with other local 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 local steel manufacturers is requesting the government to apply an industrial standard to imported products in the same way as local products because such imported 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. Prevention of increasing importation of goods**

During the past 1-2 years after the Government Sector has introduced the anti-dumping measure, thus causing higher cost of imported goods and restriction of importation. The importers and foreign exporters have averted the trade pattern from previous importation of hot-rolled steel classified under customs tariff code (7208) to other hot-rolled steel added boron classified under customs tariff code (7225 or 7226) by adding low quantity of alloy which can alter the tariff and circumvent the existing anti-dumping measure. Importation in such manner has been much increasing in the recent past, which has been a significant cause directly affecting local hot-rolled steel producers, including the Company. Consequently, the Company, in cooperation with other local producers, filed petition to the Government Sector to consider such impact and to urgently issue a measure to prevent such increasing importation. Most recently, in February 2013, the Government Sector provided provisional assistance by issuing temporary preventive measure against import of hot-rolled steel alloy, which resulted in enhancing the overall hot-rolled steel market. It was expected that the safeguard measure of government would eliminate the risk at some level.

#### **4. 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 consumed less natural resources when comparing to those of other steel manufacturer together with operating its production facility at much lower energy consumption. Furthermore, in order to enhance the waste management, 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 to ensure the production is able to optimize the emission of greenhouse gas at low level in caring the environment.

# Related Transactions

The Company has entered into transactions with relevant parties to which may cause of conflicts of interest. The transactions are summarized as follows:

Related Persons	Description
G Steel Public Company Limited	<p>1. G Steel Public Company Limited is holding 23.16 percent of the Company's shares. (as of 27 February 2013)</p> <p>2. Dr. Somsak Leeswadtrakul, the Company's Vice Chairman, is the Vice Chairman of G Steel Public Company Limited.</p> <p>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 5.36 percent of the shares of G Steel Public Company Limited. (as of 27 February 2013)</p> <p>4. Mr. Sittichai Leeswadtrakul(*), the Company's Director, is Director and is holding 1.21 percent of the shares of G Steel Public Company Limited. (as of 27 February 2013)</p> <p>5. Mr. Ryuzo Ogino(**), the Company's Chairman of Director, is Director and Chief Executive Officer of G Steel Public Company Limited.</p>
Oriental Access Company Limited	<p>1. Oriental Access Company Limited is holding 3.96 percent of the Company's shares. (as of 27 February 2013)</p> <p>2. G Steel Public Company Limited is indirectly holding 99.98 percent of the shares of Oriental Access Company Limited. (as of 31 December 2012)</p> <p>3. Mr. Ryuzo Ogino(**), the Company's Chairman of Director, is Director of Oriental Access Company Limited.</p>
Asia Metal Public Company Limited	<p>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 27 March 2012)</p> <p>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 27 March 2012)</p>
Mill Con Steel Industries Public Company Limited	<p>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 28.58 percent of the shares of Mill Con Steel Industries Public Company Limited. (as of 11 April 2012)</p> <p>2. Khunying Patama Leeswadtrakul, spouse of Dr. Somsak Leeswadtrakul who is the Company's Vice Chairman, is holding 1.09</p>

Related Persons	Description
	percent of shares of Mill Con Steel Industries Public Company Limited. (as of 11 April 2012)
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 shares 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 Millcon Burapa 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
Mahachai Steel Center Co., Ltd.	The shareholder of G Steel since 21 September 2012.
Mahachai Steel Inter Co., Ltd.	Related party of the shareholder of G Steel since 21 September 2012.
M Steel Co., Ltd.	Related party of the shareholder of G Steel since 21 September 2012.
M & L Steel Co., Ltd.	Related party of the shareholder of G Steel since 21 September 2012.
Kim Huad Steel Co., Ltd.	Related party of the shareholder of G Steel since 21 September 2012.
Metal Inter Co., Ltd.	Related party of the shareholder of G Steel since 21 September 2012.
GS Securities Holdings Co., Ltd.	1. GS Securities Holdings Co., Ltd. is holding 6.25 percent of the Company's shares. (as of 27 February 2013)  2. G Steel Public Company Limited is indirectly holding 99.99 percent of the shares of GS Securities Holdings Co., Ltd. (as of 31 December 2012)

Remark :                   \* Mr. Sittichai Leeswadtrakul resigned from the position of Director of the Company on 21 January 2013

                                  \*\* Mr. Ryuzo Ogino resigned from the position of Chairman and Director of the Company on 17 January 2013



Related Transactions in 2012 and 2011 (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 2012	As of 31 December 2011	
- Purchase of Raw Material & Finished Goods	2.62	42.31	The management's opinion: These transactions are in ordinary course of the Company's business.
- Revenue from sales	55.09	224.26	
- Accounts payable	127.76	156.42	
- Payable to related party from offsetting of machinery purchase	946.19	946.19	
- Account Receivable	-	15.94	
- Other income	0.22	-	
- Interest income	76.77	-	
- Interest expenses	130.16	74.73	
- Accrued interest expense	28.38	53.38	
- Advance from customers	28.38	38.88	
- Short term loan to	28.12	-	

2. Transactions with Oriental Access Company Limited:

Description	Transaction Value/Outstanding (THB Million)		Necessity and Reasonableness of Transactions
	As of 31 December 2012	As of 31 December 2011	
- Sales and Administration expenses	-	303.36	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	375.84	905.30	
- Other current assets	14.01	-	

### 3. Transactions with Asia Metal Public Company Limited:

Description	Transaction Value/Outstanding (THB Million)		Necessity and Reasonableness of Transactions
	As of 31December 2012	As of 31December 2011	
- Revenue from sales of finished goods	231.16	921.57	The management's opinion: These transactions are in ordinary course of the Company's business.
- Advance from customer	86.23	101.07	

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

Description	Transaction Value/Outstanding (THB Million)		Necessity and Reasonableness of Transactions
	As of 31December 2012	As of 31December 2011	
- Revenue from sales of finished goods	744.88	1,706.39	The management's opinion: These transactions are in ordinary course of the Company's business.
- Advance from customer	200.45	46.24	

### 5. Transactions with SSP Place Company Limited:

Description	Transaction Value/Outstanding (THB Million)		Necessity and Reasonableness of Transactions
	As of 31December 2012	As of 31December 2011	
- Rental of office space and other services	4.29	4.22	The management's opinion: The space is rented to support business operation and is charged at the same rate as other tenants.
- Accrued Expenses	1.89	1.12	

### 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 31December 2012	As of 31December 2011	
- Revenue from sales of finished goods	561.13	61.52	The management's opinion: These transactions are in ordinary course of the Company's business.
- Other income	35.13	61.52	
- Purchase of Raw Material & Finished Goods	729.35	-	
- Advance from customer	-	5.28	

#### 7. Transaction with Arnoma Hotel Bangkok Company Limited

Description	Transaction Value/Outstanding (THB Million)		Necessity and Reasonableness of Transactions
	As of 31 December 2012	As of 31 December 2011	
- Others expenses	0.96	0.09	The management's opinion: These transactions are in ordinary course of the Company's business.
- Accrued Expenses	1.03	-	

#### 8. Transaction with Intelligent System Network Company Limited

Description	Transaction Value/Outstanding (THB Million)		Necessity and Reasonableness of Transactions
	As of 31 December 2012	As of 31 December 2011	
- Others expenses	0.14	0.61	The management's opinion: These transactions are in ordinary course of the Company's business.
- Accrued Expenses	0.19	0.23	

#### 9. Transaction with Mahachai Inter Co., Ltd.

Description	Transaction Value/Outstanding (THB Million)		Necessity and Reasonableness of Transactions.
	As of 31 December 2012	As of 31 December 2011	
- Account Receivable	171.87	-	The management's opinion: These transactions are in ordinary course of the Company's business.

#### 10. Transaction with Kim Huad Steel Co., Ltd.

Description	Transaction Value/Outstanding (THB Million)		Necessity and Reasonableness of Transactions
	As of 31 December 2012	As of 31 December 2011	
- Account Receivable	0.62	-	The management's opinion: These transactions are in ordinary course of the Company's business.
- Advance from customer	11.04	-	

#### 11. Transaction with M & L Steel Co., Ltd.

Description	Transaction Value/Outstanding (THB Million)		Necessity and Reasonableness of Transactions
	As of 31 December 2012	As of 31 December 2011	
- Account Receivable - Advance from customer	- 0.23	- -	The management's opinion: These transactions are in ordinary course of the Company's business.

#### 12. Transaction with GS Securities Holdings Co., Ltd.

Description	Transaction Value/Outstanding (THB Million)		Necessity and Reasonableness of Transactions
	As of 31 December 2012	As of 31 December 2011	
- Bond - Interest Expense	1,210 35.46	- -	The management's opinion: These transactions are in ordinary course of the Company's business including approved from shareholders meeting.

### Measures and procedures in approving related transactions

The related transactions 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 conflicts 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 conflicts 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.

# Responsibilities towards the Society, Communities and the Environment

G J Steel Public Company Limited, places a high priority on corporate social responsibility while engaging its business and still carries out activities in respect of responsibilities towards the society, community and the environment on a continuous basis.

Throughout the year 2012, the Company participated in the different CSR programs, especially for the government's programs, such as the CSR-DPIM Network Project of the Department of Primary Industries and Mines, Ministry of Industry, the Energy Conservation Project of the Department of Alternative Energy Development and Efficiency, Ministry of Energy, etc.

For the participation in local and nearby community as part of CSR, the Company launched and support a number of activities in 2012 which included :

- Promoting employees to donate blood to the Thai Red Cross Society
- Providing support the local youth to attend the training in the To Be Number One Project
- Initiating the project of GJS Sharing Knowledge to Youths in cooperation with the Baan Khao Hin School by providing employees to contribute their knowledge on traffic safety, waste separation, making the things from trash, knowledge on use of household electrical equipments, knowledge on energy and energy conservation, the global warming, the environmental rehabilitation campaign to alleviate the global warming, including knowledge on production process and the environmental conservation of the Company to create the better understanding in the Company's business operation.
- Joining the plantation project of the Department of Primary Industries and Mines (DPIM), Ministry of Industry.
- Supporting the community on the cultural relations activities.

## Awards and recognition in 2012

- Trophy and certificate on the CSR-DPIM Network from the Department of Primary Industries and Mines, Ministry of Industry
- Thailand Energy Award 2012 on Energy Conservation, Controlled Factory Category, from the Department of Alternative Energy Development and Efficiency, Ministry of Energy

# Analysis and Explanation of Management

The Company's gross profit (loss) for the year 2012 and 2011 totaled THB (342) million and THB 674 million, respectively, and EBITDA for the year 2012 and 2011 totaled THB (538) million and THB 608 million respectively. In 2012, an decrease of selling price resulted in the Company retained gross profit margin. The major items were the gain from the reversal of bad and doubtful debts expense in the amount of THB 7 million, other income in the amount of THB 20 million, and expense included loss on confirmed purchase orders for undelivered raw material in the amounted to THB 41 million and gain on debt restructuring in the amounted to THB 191 million.

## 1. Operating Results

- Revenue from sales and cost of goods sold :

Revenue from sales for the year 2012 and 2011 amounted to THB 7,902 million and THB 18,607 million respectively, and gross profit (loss) amounted to THB (342) million and THB 674 million respectively. The major factor contributing to the year 2012's decreased of gross profit was due to the decrease of average selling price and sales volume despite the average cost of goods sold was increased.

- Selling expenses :

Selling expenses for the year 2012 and 2011 amounted to THB 75 million and THB 144 million respectively, decreasing by THB 69 million, as a result of decreased in domestic sales volume.

- Administrative expenses :

Administrative expenses for the year 2012 and 2011 amounted to THB 1,433 million and THB 1,122 million respectively. An increase of THB 311 million was partly as a result of increasing idle expense. The consultancy charges and write-off scrap were trimmed down.

- Net foreign exchange gain :

The Company had a gain on foreign exchange for the year 2012 amounting to THB 155 million, due to the strengthening of the Thai Baht versus the US dollar.

- Reversal of bad and doubtful debts expense :

For the year 2012 and 2011, the Company had a reversal of provisions for bad and doubtful debt totaling THB 7 million and THB 20 million respectively, as received from customer which fully recorded allowance for doubtful debt.

- Gain from debt restructuring :

The Company recorded gain from debt restructuring for the year 2012 amounted to THB 191 million, resulting from debt restructuring process and get discount from 18 creditors

- Other income

Other income for the year 2012 and 2011 amounted to THB 20 million and THB 72 million respectively. It was mainly received from insurance claim, selling by-product and waste.

- Loss on devaluation of inventories :

Loss on devaluation of inventories for the year 2012 and 2011 amounted to THB 9 million and THB 7 million respectively. Loss of THB 9 million was primarily from decreasing sales price.

- Loss on confirmed purchase orders of undelivered raw material :

For the year 2012, the Company had recorded loss on confirmed purchase orders of undelivered raw material amounted to THB 41 million due to decreasing sales price and increasing volume.

- Financial costs :

The company had a financial cost for the year 2012 and 2011 amounted to THB 510 million and THB 348 million respectively. The financial costs of the year 2011 lower than year 2012 due to the Company has completed agreement with creditor, reducing the interest rates from 5%-12% per annum to 1% per annum.

## **Financial status**

### Assets

As of 31 December 2012 and 2011, the total assets were THB 20,727 million and THB 23,436 million respectively that was reduced by THB 2,709 million or 11.56%. The decrease was mainly resulted from the reduction of cash and cash equivalents, trade accounts receivable, advances to suppliers, other current assets and property, plant and equipment, and intangible assets. With respect of the increased items, it included the short term loan, accrued interest income from related parties, other current assets, and other non-current assets which can be explained as follows.

#### 1) Cash and cash equivalents

As of 31 December 2012 and 2011, the Company had its cash and cash equivalents in sum of THB 34 million and THB 40 million respectively, decreasing by THB 6 million or 14.5%, as it was used in the Company's operation process.

#### 2) Trade accounts receivable

As of 31 December 2012, the Company had its trade accounts receivable in sum of THB 604 million deducted with allowance for doubtful debt of THB 417 million. Therefore, net trade accounts receivable was THB 187 million. On 31 December 2011, trade accounts receivable was in sum of THB 658 million deducted with allowance for doubtful debt of THB 425 million. Therefore, net trade accounts receivable was THB 233 million. During the year, the trade accounts receivable was lower to THB 47 million, due to the fact that there was an offset between the trade accounts receivable and trade accounts payable resulting in the decreased allowance for doubtful debt and net trade accounts receivable. On 31 December 2011, the trade accounts payable was THB 171 million which is greater than the trade accounts receivable.

#### 3) Short term loan to and accrued interest income from related parties.

As of 31 December 2012 and 2011, the Company had short term loan to and accrued interest income from related parties, of which the amount increased to THB 28 million. It was resulting from the Company granted credit of THB 41 million to related parties and received payment of THB 13 million. Thus the remaining amount was THB 28 million, to be due in 1 year at the interest rate of 9% per annum.



#### 4) Inventories

As of 31 December 2012 and 2011, the Company had inventories amounted to THB 375 million and THB 2,021 million respectively, which was a decrease THB 983 million, as the raw materials was used in 2012 production.

#### 5) Advance to suppliers

As of 31 December 2012 and 2011, the Company had its cash advance to suppliers in sum of THB 98 million and THB 116 million respectively, which was a decrease of THB 18 million.

#### 6) Other current assets

As of 31 December 2012 and 2011, the Company had its other current assets totaled THB 286 million and THB 200 million respectively, which was an increase of THB 86 million, due to higher tax credit.

#### 7) Property, plant and equipment

As of 31 December 2012 and 2011, the Company's property, plant and equipment were THB 19,210 million and THB 21,141 million respectively, which decreased by THB 931 million or 4.40%, due to the annual depreciation.

#### 8) Intangible assets

As of 31 December 2012 and 2011, the Company's intangible assets were THB 32 million and THB 37 million respectively, which decreased by THB 5 million, due to the annual depreciation.

### Liabilities

As of 31 December 2012 and 2011, the Company's liabilities totaled THB 10,528 million and THB 11,201 million respectively, which decreased by THB 673 million or 6%. It was resulting from the decrease in trade account payable, other payables and accrued expenses, liabilities under rehabilitation plan, and increasing of advance from customers, long-term loan from related parties, long-term loan from other which maturity date with in 1 year, short-term loan from other accrued interest, provision for liabilities, and other current liabilities, long-term loan from other, debenture and employee benefit obligation. Summary can be detailed as follows:

#### 1) Trade accounts payable

As of 31 December 2012 and 2011, the Company had its trade accounts payable in sum of THB 2,224 million and THB 4,622 million respectively, which decreased by THB 2,398 million. The main reasons were from raw material accounts payable and creditors participating in the debt restructuring program by conversion to debenture.

#### 2) Advance from customers

As of 31 December 2012 and 2011, the Company had received advance from customers in sum of THB 601 million and 560 million respectively, which was an increase of THB 41 million, as the Company received more advance from customers.

#### 3) Other payables and accrued expenses

As of 31 December 2012 and 2011, the Company had its other payables and accrued expenses in sum of THB 1,490 million and THB 2,244 million respectively, which decreased by THB 754 million. Main reason was from the creditors participating in the debt restructuring program by conversion to debenture.

#### 4) Accrued Interest

As of 31 December 2012 and 2011, the Company's accrued interest was THB 866 million and 728 million respectively, an increase of THB 138 million, due to the interest of the machine, and the interest of compromise with other payable.

#### 5) Provision

As of 31 December 2012 and 2011, the Company had recorded a provision in sum of THB 1,181 million and 1,006 million respectively, an increase of THB 175 million, resulting from tax liabilities.

#### 6) Liabilities under rehabilitation plan

As of 31 December 2012 and 2011, the Company had its liabilities under rehabilitation plan totaled THB 317 million and 376 million respectively, which decreased by THB 59 million. It was from debt payment and participating in the debt restructuring program by conversion to debenture.

#### 7) Other current liabilities

As of 31 December 2012 and 2011, the Company's current liabilities were THB 585 million and 568 million respectively, an increase of THB 17 million, due to higher tax liabilities.

#### 8) Long term loan from other business

As of 31 December 2012 and 2011, the Company's long term loan from other business was THB 360 million by obtaining the credit line from a customer, at the interest rate of 8% per annum. The credit facility is collateralized by part of the Company's machinery, an advance payment for land.

#### 9) Debenture

In 2013, the Company had made issuance of unsecured debentures with maturity date in 2014 to creditor. First time on 2 July 2012, it was a total of THB 1,616 million and second time on 9 November 2012, in total of THB 115 million. In combination, the total of issued debenture was THB 1,731 million. On 5 November 2012, the Company transferred some of debenture in sum of THB 521 million to be long term loan on related parties of which maturity date is within one year. Therefore, the Company's debentures were THB 1,210 million.

#### Shareholder's equity

As of 31 December 2012 and 2011, the Company shareholder's equity amounted to THB 10,198 million and THB 12,235 million respectively, which decreased by THB 2,037 million or 16.64%, due to the net loss of THB 2,037 million.

#### Liquidity

The financial statements as of 31 December 2012 and 2011, the liquidity of the Company represented by below financial ratios:

	As of 31 December	
	2012	2011
Current Ratio	0.11	0.23
Quick Ratio	0.03	0.02
Debt to Equity Ratio	1.03	0.92

# 2012 Audit Committee Report

The Audit Committee of G J Steel Public Company Limited was duly appointed by the resolution of the Company's Board of Directors 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 been operating 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 with good cooperation from the management. Therefore, I, Assoc. Prof. Niputh Jitprasonk, Chairman of the Audit Committee, would like to present the 2012 Audit Committee Report as follows:-

In the fiscal year ending 31 December 2012, the Company continues its effort to solve working capital problem and generate sufficient operating cash flow to run the business continuously. Whereas the company has been affected by hot rolled coil dumping from foreign countries caused high fluctuation in the hot rolled coil price, the situation has raised a question of uncertainties over the Company's operations, the validity of the assumptions underlying the impairment analysis valuation of Company's property, plant and equipment. Therefore, it was unable to express an opinion on the financial statements for the year 2012. However, the Company continues to resolve the liquidity problem by seeking financial facilities to help fund the working capital for further operation, and making good progress on our debt restructuring which is well cooperated by most of our creditors. Upon the completion of the debt restructuring, the debt to equity will reflect an appropriate ratio, thus our financial status will be much better. In addition, the Audit Committee has reviewed the internal audit report and proposed to the Company's Board of Directors for its further consideration and delegation to the management team to remedy some issues and enhance the internal control system in accordance with the international standard, laws and regulations so as to mitigate the damage or potential damage to be at lower or zero level.

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

# Audit Report of Certificated Public Accountant

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

I was engaged to audit the accompanying financial statements of G J Steel Public Company Limited (the “Company”), which comprise the statement of financial position as at 31 December 2012, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### *Management’s Responsibility for the Financial Statements*

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

### *Auditor’s Responsibility*

My responsibility is to issue a report on these financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

### *Basis for Disclaimer of Opinion*

As described in Note 1.2 to the accompanying financial statements, certain circumstances give rise to substantial uncertainties over the Company’s ability to continue as a going concern and to realise the carrying amounts of its assets. The Company needs to generate sufficient cash flows to meet both its working capital requirements and its operating obligations. The Company has sought to meet these requirements and obligations by issuing new capital, seeking new financing and restructuring its debts owed to creditors as part of a turnaround plan which was developed by an outside consulting firm. Notes 1.2 and 38 to the accompanying financial statements describe the Company’s progress with these initiatives, including a rights issue and private placement of the Company’s shares which have raised Baht 2,940 million and Baht 152 million, respectively, Baht 684 million of which has been used to redeem the Company’s debentures as further detailed in note 38.6 to the accompanying financial statements. 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.

The outcome of the various initiatives taken to raise sufficient finance for the Company to continue as a going concern is inherently uncertain and I was, accordingly, unable to satisfy myself as to whether and to what extent that the Company is able to continue as a going concern.



As disclosed in Note 11 to the accompanying financial statements, the Company's property, plant and equipment were evaluated for potential impairment as at 31 December 2012. The evaluation was based on assumptions and estimates for potential impairment by the Company and the result of this analysis did not indicate any additional impairment in the carrying value of these assets as at 31 December 2012. However, in the third quarter 2012, the Company halted the operations at its only plant and, as the date of this report, has not resumed operations. In view of the significant uncertainties over the Company operations, there are pervasive uncertainties concerning 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, which as at 31 December 2012 amounted to Baht 19,210 million, may have been impaired.

*Disclaimer of Opinion*

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.



(Nirand Lilamethwat)  
Certified Public Accountant  
Registration No. 2316

KPMG Phoomchai Audit Ltd.  
Bangkok  
1 March 2013

# Statement of financial position

## G J Steel Public Company Limited

Assets	Note	31 December	
		2012	2011
		<i>(in Baht)</i>	
<b>Current assets</b>			
Cash and cash equivalents	6	33,776,913	32,264,246
Current investment		-	7,284,501
Trade accounts receivable	4, 7	187,214,613	233,581,984
Short-term loans to and interest receivables from a related party	4	28,334,521	-
Inventories	8	374,515,802	2,020,610,572
Advances to suppliers		97,833,355	116,240,182
Other current assets	4, 9	285,798,709	199,875,533
<b>Total current assets</b>		<b>1,007,473,913</b>	<b>2,609,857,018</b>
<b>Non-current assets</b>			
Restricted deposits at financial institutions	10	700,000	176,700,000
Long-term loans to and receivables from former related parties	5	70,506,489	70,506,489
Property, plant and equipment	11	19,209,657,043	20,140,645,499
Intangible assets	12	32,499,575	36,686,902
Other non-current assets	4, 13	406,056,986	401,897,497
<b>Total non-current assets</b>		<b>19,719,420,093</b>	<b>20,826,436,387</b>
<b>Total assets</b>		<b>20,726,894,006</b>	<b>23,436,293,405</b>

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

# Statement of financial position (Continued)

## G J Steel Public Company Limited

Liabilities and equity	Note	31 December	
		2012	2011
		(in Baht)	
<b>Current liabilities</b>			
Trade accounts payable	4, 14, 15	2,223,826,228	4,622,063,565
Other payables and accrued expenses	4, 14, 16	1,490,239,663	2,244,372,769
Payable to a related party from offsetting of machinery purchase	4, 14	946,187,395	946,187,395
Advance from customers	4, 34.4	600,992,640	560,123,080
Current portion of long-term loan from a related party	4, 14	521,120,000	-
Current portion of long-term loan from other party	14	212,400,000	-
Short-term loan from other parties	14	173,351,714	140,993,306
Accrued interest expenses	4	866,366,448	727,994,686
Liabilities under rehabilitation plan	18	317,260,290	376,171,937
Provisions	20	1,180,632,940	1,006,210,768
Other current liabilities	17	584,595,176	567,726,872
<b>Total current liabilities</b>		<b>9,116,972,494</b>	<b>11,191,844,378</b>
<b>Non-current liabilities</b>			
Long-term loan from other party	14	147,600,000	-
Debentures	4, 14	1,209,520,000	-
Employee benefit obligations	19	18,880,135	9,244,434
Provisions	4, 14, 20	35,462,028	-
<b>Total non-current liabilities</b>		<b>1,411,462,163</b>	<b>9,244,434</b>
<b>Total liabilities</b>		<b>10,528,434,657</b>	<b>11,201,088,812</b>

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

# Statement of financial position (Continued)

## G J Steel Public Company Limited

Liabilities and equity	Note	31 December	
		2012	2011
		<i>(in Baht)</i>	
<b>Equity</b>			
Share capital	21		
Authorised share capital		40,478,051,205	40,478,051,205
Issued and paid-up share capital		27,533,305,754	27,533,305,754
Warrants	22	147,991,749	147,991,749
Premium on ordinary shares	21	394,381,033	394,381,033
Retained earnings (deficit)			
Appropriated			
Legal reserve	23	18,507,422	18,507,422
Deficit		(18,057,416,078)	(16,020,670,834)
Other components of equity	23	161,689,469	161,689,469
<b>Total equity</b>		<b>10,198,459,349</b>	<b>12,235,204,593</b>
<b>Total liabilities and equity</b>		<b>20,726,894,006</b>	<b>23,436,293,405</b>

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



# Statement of comprehensive income

## G J Steel Public Company Limited

		For the year ended 31 December	
	Note	2012	2011
		(in Baht)	
<b>Income</b>			
Revenue from sale of goods	4, 24, 31	7,902,549,421	18,607,439,588
Net foreign exchange gain		155,414,734	-
Reversal of bad and doubtful debts expense	7	7,000,000	20,216,889
Reversal of loss on devaluation of inventories	8	-	-
Gain from debt restructuring	14	191,069,804	-
Other income	4	19,873,224	71,518,618
<b>Total income</b>		<b>8,275,907,183</b>	<b>18,699,175,095</b>
<b>Expenses</b>			
Cost of sale of goods	4, 8, 28	8,244,197,349	17,933,176,677
Selling expenses	4, 25, 28	75,000,960	144,495,935
Administrative expenses	4, 26, 28	1,432,669,584	1,122,278,756
Loss on devaluation of inventories	8	9,114,878	7,340,751
Loss on confirmed purchase orders for undelivered raw material	20, 34.3	40,711,890	146,159,512
Net foreign exchange loss		-	289,935,243
Finance costs	4, 14, 29	510,957,766	347,818,422
<b>Total expenses</b>		<b>10,312,652,427</b>	<b>19,991,205,296</b>
<b>Loss for the year</b>		<b>(2,036,745,244)</b>	<b>(1,292,030,201)</b>
<b>Other comprehensive income for the year</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>(2,036,745,244)</b>	<b>(1,292,030,201)</b>
<b>Loss per share</b>	32		
Basic		(0.05)	(0.03)

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

# Statement of Changes in equity

## G J Steel Public Company Limited

		Issued and paid-up share capital	Warrants	Share premium / (discount)	Retained earnings / (deficit)		Other components of equity	Total equity
	Note				Legal reserve (in Baht)	Deficit		
<b>Year ended 31 December 2011</b>								
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
<b>Transactions with owners, recorded directly in equity</b>								
<i>Contributions by and distributions to owners of the Company</i>								
Issue of ordinary shares	21	138,569,341	(2,008,251)	(86,354,806)	-	-	-	50,206,284
Termination of warrants	23	-	(161,689,469)	-	-	-	161,689,469	-
<b>Total contributions by and distributions to owners of the Company</b>		<b>138,569,341</b>	<b>(163,697,720)</b>	<b>(86,354,806)</b>	<b>-</b>	<b>-</b>	<b>161,689,469</b>	<b>50,206,284</b>
<b>Comprehensive income for the year</b>								
Loss for the year		-	-	-	-	(1,292,030,201)	-	(1,292,030,201)
Other comprehensive income		-	-	-	-	-	-	-
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,292,030,201)</b>	<b>-</b>	<b>(1,292,030,201)</b>
<b>Balance at 31 December 2011</b>		<b>27,533,305,754</b>	<b>147,991,749</b>	<b>394,381,033</b>	<b>18,507,422</b>	<b>(16,020,670,834)</b>	<b>161,689,469</b>	<b>12,235,204,593</b>
<b>Year ended 31 December 2012</b>								
Balance at 1 January 2012		27,533,305,754	147,991,749	394,381,033	18,507,422	(16,020,670,834)	161,689,469	12,235,204,593
<b>Comprehensive income for the year</b>								
Loss for the year		-	-	-	-	(2,036,745,244)	-	(2,036,745,244)
Other comprehensive income		-	-	-	-	-	-	-
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,036,745,244)</b>	<b>-</b>	<b>(2,036,745,244)</b>
<b>Balance at 31 December 2012</b>		<b>27,533,305,754</b>	<b>147,991,749</b>	<b>394,381,033</b>	<b>18,507,422</b>	<b>(18,057,416,078)</b>	<b>161,689,469</b>	<b>10,198,459,349</b>

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

# Statement of cash flows

## G J Steel Public Company Limited

		For the year ended 31 December	
	Note	2012	2011
		(in Baht)	
<b>Cash flows from operating activities</b>			
Loss for the year		(2,036,745,243)	(1,292,030,201)
<b>Adjustments for</b>			
Depreciation and amortisation	11, 12, 28	981,181,382	1,051,365,621
Interest income		(4,736,650)	(2,649,085)
Finance costs	29	510,957,766	347,818,422
Gain from debt restructuring	14	(191,069,804)	-
Unrealised loss (gain) on exchange rate		(95,565,031)	187,265,621
Reversal of bad and doubtful debts expense	7	(7,000,000)	(20,216,889)
Loss on devaluation of inventories	8	9,114,877	7,340,751
Loss on confirmed purchase orders			
of undelivered raw material	20	40,711,890	146,159,512
Provision for tax-related liabilities	20	133,710,281	137,420,327
Employee benefit expenses	19	9,635,701	9,244,434
Loss on write-off of assets		57,300	21,630
		<b>(649,747,531)</b>	<b>571,740,143</b>
<b>Changes in operating assets and liabilities</b>			
Trade accounts receivable		(19,706,177)	(22,739,646)
Inventories		1,636,979,892	(990,227,711)
Advances to suppliers		18,406,828	43,939,708
Other current assets		(96,883,278)	(11,557,759)
Other non-current assets		(49,411,527)	(90,745,311)
Trade accounts payable		(1,283,849,560)	1,580,575,708
Advances received from customers		139,003,635	(818,795,238)
Other payables and accrued expenses		(171,922,586)	(50,020,406)
Other current liabilities		17,746,394	(51,594,269)
Provision for tax-related liabilities paid	20	-	(16,431,443)
Income tax paid		(47,197)	-
<b>Net cash (used in) provided by operating activities</b>		<b>(459,431,107)</b>	<b>144,143,776</b>

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

# Statement of cash flows (Continued)

## G J Steel Public Company Limited

		For the year ended 31 December	
	Note	2012	2011
		(in Baht)	
<b>Cash flows from investing activities</b>			
Interest received		4,517,527	2,649,085
Decrease (increase) in current investment		7,284,501	(2,041,537)
Decrease in restricted deposits			
at financial institutions	10	176,000,000	-
Payment for short-term loans to related party		(41,000,000)	-
Proceeds from short-term loans to related party		12,884,603	-
Purchase of property, plant and equipment		(810,861)	(3,751,000)
Advance for purchase of property, plant and equipment		-	(58,000,000)
<b>Net cash provided by (used in) investing activities</b>		<b>158,875,770</b>	<b>(61,143,452)</b>
<b>Cash flows from financing activities</b>			
Finance cost paid		(88,758,626)	(145,299,573)
Proceeds from short-term loans from other parties		330,135,149	891,826,373
Repayment of short-term loans from other parties		(278,652,228)	(893,077,749)
Proceeds from long-term loan from other party		360,000,000	-
Payment of liabilities under rehabilitation plan	18	(20,385,495)	-
Repayment of payable to related party from offsetting of machinery purchase		-	(11,693,942)
Proceeds from ordinary shares issued		-	50,206,284
<b>Net cash provided by (used in) financing activities</b>		<b>302,338,800</b>	<b>(108,038,607)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>1,783,463</b>	<b>(25,038,283)</b>
Cash and cash equivalents at 1 January		32,264,246	56,835,921
Effect of exchange rate changes on balances held in foreign currencies		(270,796)	466,608
<b>Cash and cash equivalents at 31 December</b>	<b>6</b>	<b>33,776,913</b>	<b>32,264,246</b>

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



# Statement of cash flows (Continued)

## G J Steel Public Company Limited

		For the year ended 31 December	
	<i>Note</i>	2012	2011
		<i>(in Baht)</i>	
<b>Non-cash transactions</b>			
Conversion of debts to debentures and long-term loan from a related party	14	1,730,640,000	-
Transfer trade accounts payable and accrued interest expenses to provisions	14, 20	35,462,028	-
Transfer of advance received from customers to trade accounts payable	4(d) iv	-	29,276,360
Offsetting between trade accounts receivable, other current assets with trade accounts payable and other payables and accrued expenses	4, 7, 9, 15	83,577,176	228,169,099
Transfer of warrants to other components of equity	23	-	161,689,469

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

# Notes to the financial statements

## G J Steel Public Company Limited

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These notes form an integral part of the financial statements.

The financial statements issued for Thai statutory and regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from the Thai language statutory financial statements, and were approved and authorized for issue by the Board of Directors on 1 March 2013.

## **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
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.

As at 31 December 2012, the Company’s major shareholders were G Steel Public Company Limited (“G Steel”) (22.33% shareholding) and Oriental Access Company Limited (“OAC”) (5.55% 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.

Refer to Note 4, Related parties, and Note 38, Events after the reporting period, for details of conversion of debt owed to G Steel and OAC into equity of the Company and the forced sale transactions of the Company’s shares by the creditors of OAC and G Steel.

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

### **1.2 Going concern**

The Company made an operating loss for the year ended 31 December 2012 of Baht 2,037 million (2011: Baht 1,292 million). As at 31 December 2012, the Company had net current liabilities exceeding net current assets by Baht 8,109 million (2011: Baht 8,582 million) with many trade accounts payable to suppliers being significantly overdue for payment. During 2012 and 2011, 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. 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. Refer to Note 14, Interest - bearing liabilities, the Company’s debentures issued and debt restructuring program.

In the third quarter 2012 the Company halted the operations at its only plant and used this opportunity to carry out annual maintenance of the plant. As at the date of this report, the plant has not resumed operations.

### ***Need for sufficient cash flow***

These circumstances raise concern on the Company's ability to continue as a going concern and to realise the carrying amounts of its assets. The Company needs to generate sufficient cash flows to meet both its working capital requirements and its operating obligations. The Company plans to address the liquidity problem by increasing share capital, finding additional credit facilities from financial institutions both domestically and abroad, refinancing the existing debts with the creditors, negotiating improved terms of payment with trade creditors, improving collection of receivables, increasing cash sales or receiving in advance.

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.

### ***Increase and allocation of newly issued shares***

The Board of Directors' Meeting held on 14 November 2012 passed the following resolutions:

- Reduction of the Company's authorised share capital by 3,234 million shares with a par value of Baht 0.69 per share.
- Increase of the Company's authorised share capital by 132,947 million shares with a par value of Baht 0.69 per share to offer to existing shareholders, G Steel and/or its subsidiaries and the financial advisor supporting the Company's debt restructuring program.
- Allocation of the Company's newly issued share capital as follows:
  - Up to 59,855 million shares to existing shareholders according to proportion of shareholding (Rights offering).
  - Up to 23,942 million shares to support the exercise of warrants which were issued to existing shareholders according to proportion of shareholding (Rights offering).
  - Up to 28,503 million shares to G Steel and/or its subsidiaries under a private placement offering. G Steel and/or its subsidiaries will make payment for the Company's newly issued shares by conversion of debts to equity and/or pay by cash.
  - Up to 11,401 million shares to support the exercise of warrants issued to G Steel and/or its subsidiaries.
  - Up to 1,600 million shares at offering price of Baht 0.08 per share to Brooker Group Public Company Limited in consideration of the advice and expenses provided for the successful execution of the Company's debt restructuring program.

Refer to Note 38, Events after the reporting period, for details of the Company's Extraordinary General Meeting no.1/2013 and the results of the sale of the Company's newly issued shares.



### ***Arrangement of New Financing Facility***

On 6 August 2012, the Company and G Steel signed a mandate letter with Standard Bank Plc (“SB Plc”), appointing SB Plc as mandated lead arranger of an up to USD 50 million (approximately Baht 1,600 million) raw material supply facility (the “RMSF”). The RMSF is being arranged by SB Plc in connection with an up to USD 50 million (approximately Baht 1,600 million) senior secured term loan facility (the “STLF”) that the Company and G Steel are working on obtaining from other financial institutions. The mandate was subsequently terminated.

Refer to Note 38, Events after the reporting period, for details of the termination of the arrangement of a new financing facility between G Steel and SB Plc. and the new arrangement of financing facilities with Chimaera Capital Markets (“CCM”).

### ***Management’s conclusion***

The directors are confident that a new financing deal will be completed in the first half of 2013 and will develop the Company’s potential through an 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, and the turnaround arrangements in place, in the first half of 2013.

## **1.3 The Company’s debt restructuring**

### ***Major Trade Creditors Restructuring***

Since 31 December 2010, the Company has negotiated repayment schedules for the overdue debt owed to creditors with claims in excess of USD 2.5 million each (‘Major Trade Creditors’). The Company has three Major Trade Creditors with aggregated claims of USD 68 million (Baht 2,103 million) as at 31 December 2012 (2011: USD 63 million (Baht 2,005 million)).

The Company has defaulted on the negotiated repayment schedules of all Major Trade Creditors. As a consequence of this default, the outstanding balances are payable on demand and accrue interest at a rate of 7.5% annually from the date of default.

### ***Other Trade Creditors Restructuring***

The Company has negotiated repayment schedules for overdue debt owed to Other Trade Creditors amounting to Baht 1,107 million as at 31 December 2011. During the year ended 31 December 2012 the Company has negotiated additional repayment schedules for overdue debt owed to Other Trade Creditors amounting to Baht 12 million. In addition, an Other Trade Creditor exchanged its outstanding receivables from the Company amounting to Baht 1,041 million for the Company’s debentures. As a result, as at 31 December 2012 the Company had total overdue balances of Baht 78 million owed to Other Trade Creditors.

Refer to Note 14, Interest - bearing liabilities, for details of the Company’s debentures issued and debt restructuring program.

## 1.4 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 2012, the gross receivables due to the Company amounted to Baht 417 million (2011: Baht 424 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. This guarantee expires on 17 May 2013.
- 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 years, ending on 17 May 2015.

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. These 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 the repayment by those accounts receivable or 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.

## 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); guidelines promulgated by the Federation of Accounting Professions ("FAP"); and applicable rules and regulations of the Thai Securities and Exchange Commission.

As at 31 December 2012, the FAP had issued a number of 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 37.

**(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 7	Allowance for doubtful accounts
Note 8	Allowance for devaluation of inventories
Note 11	Appraisal valuations and allowance for impairment of property, plant and equipment
Note 13	Appraisal valuations and allowance for impairment of suspended construction in progress
Note 19	Measurement of defined benefit obligations
Notes 20, 35 & 36	Provisions, Litigations and Contingent liabilities
Note 33	Valuation of financial instruments

**3 Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

**(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.

**(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
Machinery and equipment	15 - 30 years
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.

**4 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:

<b>Name of entities</b>	<b>Country of incorporation/ Nationality</b>	<b>Type of business</b>	<b>Nature of Relationships</b>
G Steel	Thailand	Manufacture and sale of steel	Parent company
OAC	Thailand	Business consulting services	Subsidiary of G Steel and Company shareholder
SPH	Thailand	Holding company	Subsidiary of G Steel
GS Securities Holdings Co., Ltd ("GS Securities") (registered incorporation on 27 April 2012)	Thailand	Special-purpose restructuring entity	Subsidiary of G Steel
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.	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
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.	Thailand	Sale of rolled steel	Common director
Intelligent System Network Co., Ltd.	Thailand	Sale of computer hardware, software and system installation	Common director

<b>Name of entities</b>	<b>Country of incorporation/ Nationality</b>	<b>Type of business</b>	<b>Nature of Relationships</b>
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
Mahachai Steel Center Co., Ltd.	Thailand	Sale of steel	Shareholder of G Steel since 21 September 2012
Mahachai Steel Inter Co., Ltd.	Thailand	Sale of steel	Related party of the shareholder of G Steel since 21 September 2012
Metal Inter Co., Ltd.	Thailand	Sale of steel	Related party of the shareholder of G Steel since 21 September 2012
Kim Huad Steel Co., Ltd.	Thailand	Sale of Steel	Related party of the shareholder of G Steel since 21 September 2012
M & L Steel Co., Ltd.	Thailand	Sale of Steel	Related party of the shareholder of G Steel since 21 September 2012
M Steel Co., Ltd.	Thailand	Sale of Steel	Related party of the shareholder of G Steel since 21 September 2012
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**

Sale of raw materials  
Sale of finished goods  
Purchase of raw materials  
Purchase of finished goods  
Operating service expense  
Rental and service expenses

#### **Pricing policies**

Cost plus margin  
Agreed prices with reference to market prices  
Cost plus margin  
Agreed prices with reference to market prices  
Fixed rate as stipulated in agreement  
Contractual prices

Significant transactions for the years ended 31 December 2012 and 2011 with related parties were as follows:

<i>Year ended 31 December</i>	2012	2011
	<i>(in million Baht)</i>	
<b>Parent (G Steel)</b>		
Sales of raw materials and finished goods	55	224
Purchases of raw materials and finished goods	3	42
Finance costs	77	75
<b>Key management personnel</b>		
Key management personnel compensation		
Salary and bonus	29	28
Meeting allowance and other benefits	3	5
<b>Other related parties</b>		
Sales of raw materials and finished goods	1,573	2,689
Purchases of raw materials and finished goods	729	-
Operating service expenses	-	303
Rental and service expenses	5	4

Balances as at 31 December 2012 and 2011 with related parties were as follows:

	Note	2012	2011
		<i>(in million Baht)</i>	
<b>Trade accounts receivable</b>	7		
<b>Parent</b>			
G Steel		-	16
<b>Other related parties</b>			
Mahachai Steel Inter Co., Ltd.		171	-
Kim Huad Steel Co., Ltd.		1	-
<b>Total</b>		<u>172</u>	<u>16</u>
<b>Short-term loans to a related party</b>			
<b>Parent</b>			
G Steel		<u>28</u>	<u>-</u>

Movements during the years ended 31 December of short-term loans to a related party was as follows:

	2012	2011
	<i>(in million Baht)</i>	
<b>Parent</b>		
At 1 January	-	-
Increase	41	-
Decrease	(13)	-
<b>At 31 December</b>	<u>28</u>	<u>-</u>

During the year 2012, the Company entered into various short-term loans agreements to G Steel, bearing interest at 9% per annum. As at 31 December 2012, the Company had outstanding short-term loans to G Steel of Baht 28 million due within one year.



	<i>Note</i>	<b>2012</b> <i>(in million Baht)</i>	<b>2011</b>
<b>Other current assets</b>			
<b>Other related party</b>			
OAC		<u>14</u>	<u>-</u>
<b>Other non-current assets</b>			
<b>Other related party</b>			
SSP Place Co., Ltd.		<u>-</u>	<u>1</u>
<b>Trade accounts payable</b>	<i>15</i>		
<b>Parent</b>			
G Steel		<u>128</u>	<u>156</u>
<b>Other payables and accrued expenses</b>	<i>16</i>		
<b>Other related parties</b>			
OAC (see Note 4(b))		376	905
SSP Place Co., Ltd.		2	2
Arnoma Hotel Bangkok Co., Ltd.		<u>1</u>	<u>-</u>
		<u>379</u>	<u>907</u>
	<i>Note</i>	<b>2012</b>	<b>2011</b>
		<i>(in million Baht)</i>	
<b>Payable to a related party from offsetting of machinery purchase (see Note 4(c) and 4(d))</b>	<i>14</i>		
<b>Parent</b>			
G Steel		<u>946</u>	<u>946</u>
<b>Accrued interest expenses</b>			
<b>Parent</b>			
G Steel		<u>130</u>	<u>53</u>

Movements during the years ended 31 December 2012 and 2011 of Payable to a related party from offsetting of machinery purchase were as follows:

	<b>2012</b> <i>(in million Baht)</i>	<b>2011</b>
At 1 January	946	958
Decrease	<u>-</u>	<u>(12)</u>
<b>At 31 December</b>	<u>946</u>	<u>946</u>

	<i>Note</i>	2012 (in million Baht)	2011
<b>Advances from customers</b>			
<b>Parent</b>			
G Steel		28	39
<b>Other related parties</b>			
Mill Con Steel Industries Public Co., Ltd.		201	46
Asia Metal Public Co., Ltd.		86	101
Millcon Burapa Co., Ltd.		-	5
Kim Huad Steel co., Ltd.		11	-
		298	152
<b>Total</b>		<b>326</b>	<b>191</b>
<b>Debentures</b>	<i>14</i>		
<b>Other related party</b>			
GS Securities		1,210	-

Movements during the year ended 31 December 2012 and 2011 of debentures were as follows:

	2012 (in million Baht)	2011
At 1 January	-	-
Increase		
on 2 July 2012	1,616	-
on 8 November 2012	115	-
Conversion to long-term loan from a related party	(521)	-
<b>At 31 December</b>	<b>1,210</b>	<b>-</b>

Refer to Note 14, Interest bearing liabilities for detail of the Company's debentures and Note 38, Events after the reporting period for details of the redemption of the Company's debentures.

	<i>Note</i>	2012 (in million Baht)	2011
<b>Current portion of long - term loan from a related party</b>	<i>14</i>		
(see Note 4(e))			
<b>Other related party</b>			
GS securities		521	-

Movements during the year ended 31 December 2012 and 2011 of long-term loan from related party were as follows:

	2012 (in million Baht)	2011
At 1 January	-	-
Increase	521	-
<b>At 31 December</b>	<b>521</b>	<b>-</b>

	Note	2012 (in million Baht)	2011
<b>Provisions</b>			
<i>Provision from deferred interest from debt restructuring</i>	14, 20		
<b>Other related party</b>			
GS Securities		<u>35</u>	<u>-</u>

**Significant agreement with related parties**

- a) On 14 November 2012, the Company entered into various compromise agreements with G Steel OAC and GS Securities to convert the outstanding debts of the Company for an amount of Baht 2,051 million to the Company's ordinary shares of 27,541 million shares at an exchange price of Baht 0.08 per share as details below;

	(in million Baht)
G Steel	
Trade accounts payable	128
Payable to related party from offsetting of machinery purchase (see Note 4(c) and 4(d))	946
Advances from customers (see Note 4(d) iv)	28
Part of accrued interest expenses (see Note 4(d) iii)	<u>98</u>
	1,200
OAC	
Part of other payables and accrued expenses (see Note 4(b))	330
GS Securities	
Current portion of long-term loan from a related party (see Note 4(e))	<u>521</u>
<b>Total</b>	<u><b>2,051</b></u>

Refer to Note 38, Events after the reporting period for details of the results of sale of the Company's newly issued shares and paid up capital by conversion of the outstanding debt owned by the Company to G Steel, OAC and GS Securities.

The historical details of transactions are described in the notes following below;

- b) 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 12.21 million (Baht 376 million) in arrears (“Overdue Service Balances”) under the terms of the agreement with OAC as at 31 December 2012 (*2011: Baht 905 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.

- c) 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.
- d) 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 4(c) (the "G Steel Debt") as at 31 December 2012 were Baht 946 million (2011: Baht 946 million).
  - 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.
  - v. During the year ended 31 December 2012, the Company entered into memorandum of understanding to offset to trade accounts receivable from G Steel with trade accounts payable to G Steel amounting to Baht 16 million.
- e) On 5 November 2012, the Company borrowed from GS Securities amounting to Baht 521 million to convert debentures to loan from a related party which bear interest at 3% per annum and due in 2014.

Refer to Note 4(a), on 14 November 2012, the Company entered into a compromise agreement with GS Securities to convert this loan to the Company's ordinary shares which will be settlement within 2013. Accordingly, this loan is classified under current liabilities as at 31 December 2012.

#### ***Significant matter with related parties***

During the year ended 31 December 2012, the creditors of OAC enforced the sale of the Company's shares of 6,392 million shares and the Company's warrants of 556 million units which were owned by OAC. After the forced sale transaction, as at 31 December 2012 G Steel and OAC held 27.88% shareholders in the Company.

Refer to Note 38, Events after the reporting period for the additional forced sale transactions by the creditors of G Steel.

## **5 Balances with former related parties**

Balances as at 31 December 2012 and 2011 with former related parties were as follows:

	Note	2012 (in million Baht)	2011
<b><i>Long-term loans to (interest rate per annum)</i></b>			
Sathorn North Pattana Co., Ltd. (16.0%)		1	1
Less allowance for doubtful accounts		(1)	(1)
<b>Net</b>		<u>-</u>	<u>-</u>
<b><i>Receivables from former related parties</i></b>			
N.T.S. Steel Group Public Co., Ltd. ("NTS") and others		74	74
Less allowance for doubtful accounts		(3)	(3)
<b>Net</b>		<u>71</u>	<u>71</u>
<b><i>Long-term loans to and receivables, net</i></b>		<u><u>71</u></u>	<u><u>71</u></u>

	Note	2012 (in million Baht)	2011
<b>Accounts payable to former related parties under rehabilitation plan</b>			
NTS		<u>34</u>	<u>34</u>
<b>Other payables and accrued expenses</b>			
NTS	16	<u>25</u>	<u>25</u>
<b>Accrued interest expenses</b>			
NTS		<u>4</u>	<u>3</u>

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

#### **Long-term loans to former related parties**

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.

## **6 Cash and cash equivalents**

	2012 (in million Baht)	2011
Cash and deposits at financial institutions	34	30
Fixed deposits due within three months	-	2
<b>Total</b>	<u>34</u>	<u>32</u>

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

	2012 (in million Baht)	2011
Thai Baht (THB)	26	23
United States Dollars (USD)	8	9
<b>Total</b>	<u>34</u>	<u>32</u>

## **7 Trade accounts receivable**

	Note	2012 (in million Baht)	2011
Related parties	4	172	16
Other parties		432	642
<b>Total</b>		<u>604</u>	<u>658</u>
Less allowance for doubtful accounts		(417)	(424)
<b>Net</b>		<u>187</u>	<u>234</u>
Reversal of bad and doubtful debts expense for the year		<u>(7)</u>	<u>(21)</u>

Aging analyses for trade accounts receivable were as follows:

	2012	2011
	<i>(in million Baht)</i>	
<b>Related parties</b>		
Overdue :		
3-6 months	1	-
6-12 months	-	16
Over 12 months	171	-
	<u>172</u>	<u>16</u>
<b>Other parties</b>		
Overdue :		
Less than 3 months	-	1
6-12 months	-	8
Over 12 months	432	633
	<u>432</u>	<u>642</u>
Less allowance for doubtful accounts	(417)	(424)
<b>Net</b>	<u>15</u>	<u>218</u>
<b>Total</b>	<u>187</u>	<u>234</u>
Balance before offset transactions	677	886
Offsetting between trade accounts receivable with trade accounts payable and other payables and accrued expenses	(73)	(228)
<b>Net after offset transactions</b>	<u>604</u>	<u>658</u>

During the year ended 31 December 2012, the Company entered into an arrangement with four suppliers to offset trade accounts receivable from against trade accounts payable and other payables and accrued expenses to such supplier in the amount of Baht 73 million (2011: 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 2012 and 2011, 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:

	2012	2011
	<i>(in million Baht)</i>	
Account receivables		
- Customer 1	352	352
- Customer 2	65	72
	<u>417</u>	<u>424</u>
Less allowance for doubtful accounts	(417)	(424)
<b>Net</b>	<u>-</u>	<u>-</u>

Sales transactions for the years ended 31 December 2012 and 2011 with the Non-Performing Domestic Customers are shown in the table below:

	2012	2011
	(in million Baht)	
Customer 1	-	445
<b>Total</b>	<b>-</b>	<b>445</b>

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

	2012	2011
	(in million Baht)	
Thai Baht (THB)	590	644
United States Dollars (USD)	14	14
<b>Total</b>	<b>604</b>	<b>658</b>

## 8 Inventories

	2012	2011
	(in million Baht)	
Finished goods	14	285
Raw materials	184	1,485
Spare parts and supplies	307	335
Goods in transit	45	82
<b>Total</b>	<b>550</b>	<b>2,187</b>
Less allowance for devaluation of inventories	(175)	(166)
<b>Net</b>	<b>375</b>	<b>2,021</b>
Carrying value of inventories pledged to secure liabilities	<b>88</b>	<b>1,522</b>
Inventories recognised as an expense in 'cost of sales of goods':		
Cost	8,244	17,933
Loss on devaluation of inventories	9	7
<b>Net</b>	<b>8,253</b>	<b>17,940</b>

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.



## 9 Other current assets

	Note	2012 (in million Baht)	2011
Prepaid value added tax		154	77
Suspense input tax		48	95
Prepaid expense to other parties		66	17
		<b>268</b>	<b>189</b>
Other receivables			
Related party	4	14	-
Other parties		57	64
		71	64
Less allowance for doubtful account		(53)	(53)
<b>Net</b>		<b>18</b>	<b>11</b>
<b>Total</b>		<b>286</b>	<b>200</b>

During the year 2012, the Company was offsetting other receivables from against trade accounts payable to various suppliers in the amount of Baht 11 million.

## 10 Restricted deposits at financial institutions

As at 31 December 2012 and 2011, the Company had pledged its deposits at financial institutions as collateral for supplies and services receivable from the government and other entities as follows:

	2012 (in million Baht)	2011
Guarantee for utility supplies and services	1	177
<b>Total</b>	<b>1</b>	<b>177</b>

### *Payment of the bank guarantee*

During the year 2012, an electricity provider of the Company demanded full payment under the bank guarantee, for the Company's electricity usage, issued by two financial institutions amounted to Baht 164 million. The payment reduced the Company's liability to the electricity provider amounted to Baht 164 million and reduced the restricted deposits at financial institutions by Baht 156 million. The Company paid additional funds to a financial institution amounting to Baht 8 million.

### *Cancellation of the bank guarantee*

During the year 2012, a financial institution cancelled the bank guarantee for the Company's utility usage amounting to Baht 20 million. As a result restricted deposits with this financial institution were reduced by Baht 20 million.

The Company's restricted deposits at financial institutions as at 31 December 2012 and 2011 are denominated entirely in Thai Baht.

## 11 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
<b>Cost</b>								
At 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)	-
<b>At 31 December 2011 and 1 January 2012</b>	<b>857</b>	<b>6,245</b>	<b>17,917</b>	<b>42</b>	<b>213</b>	<b>3</b>	<b>6,775</b>	<b>32,052</b>
Additions	-	-	-	-	-	-	1	1
Disposals	-	-	-	(16)	(1)	-	-	(17)
Transfers	1	-	-	-	-	-	(1)	-
<b>At 31 December 2012</b>	<b>858</b>	<b>6,245</b>	<b>17,917</b>	<b>26</b>	<b>212</b>	<b>3</b>	<b>6,775</b>	<b>32,036</b>
<b>Accumulated depreciation</b>								
At 1 January 2011	11	3,472	3,663	35	182	3	-	7,366
Depreciation charge for the year	4	102	813	1	13	-	-	933
<b>At 31 December 2011 and 1 January 2012</b>	<b>15</b>	<b>3,574</b>	<b>4,476</b>	<b>36</b>	<b>195</b>	<b>3</b>	<b>-</b>	<b>8,299</b>
Depreciation charge for the year	3	101	817	1	9	-	-	931
Disposals	-	-	-	(16)	(1)	-	-	(17)
<b>At 31 December 2012</b>	<b>18</b>	<b>3,675</b>	<b>5,293</b>	<b>21</b>	<b>203</b>	<b>3</b>	<b>-</b>	<b>9,213</b>

	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 2011	23	76	391	-	-	-	3,123	3,613
At 31 December 2011 and 1 January 2012	23	76	391	-	-	-	3,123	3,613
At 31 December 2012	23	76	391	-	-	-	3,123	3,613
<i>Net book value</i>								
At 1 January 2011	823	2,697	13,861	7	30	-	3,652	21,070
At 31 December 2011 and 1 January 2012	819	2,595	13,050	6	18	-	3,652	20,140
At 31 December 2012	817	2,494	12,233	5	9	-	3,652	19,210

The cost of the Company's fully depreciated property, plant and equipment that was still in use amounted to Baht 233 million as at 31 December 2012 (2011: Baht 228 million).

As at 31 December 2012 the Company's property, plant and equipment, with a net book value of Baht 12,523 million, were mortgaged under the rehabilitation plan (2011: Baht 13,350 million).

On 11 May 2012, the Company's Board of Directors approved a mortgage transaction with the Provincial Electricity Authority in the amount of Baht 250 million. Under this mortgage, a portion of the Company's skin pass machineries with a net book value of Baht 669 million as at 31 December 2012 is mortgaged as security for the Company's long-overdue electricity expenses in an amount not exceeding Baht 250 million. On 14 June 2012, the Company registered this mortgage transaction with the Central Office for Machinery Registration, Department of Industrial Works.

On 2 November 2012, the Company's Board of Directors approved a mortgage transaction with other party who is a supporting customer, in the amount of Baht 360 million. Under this mortgage, the Company's eleven machineries with a net book value of Baht 909 million as at 31 December 2012 were mortgaged as security for the Company's long-term loan in an amount not exceeding Baht 360 million. On 5 November 2012, the Company registered this mortgage transaction with the Central Office for Machinery Registration, Department of Industrial Works. Refer to Note 14, Interest bearing liabilities, the detail of long-term loan from other party.

### ***Impairment evaluation***

Management evaluated a potential impairment of property, plant and equipment for the years 2012 and 2011 based on assumptions as describe below, 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 2012 and 2011.

#### **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 utilisation 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 2016 (2011: 2013)
- Pre-tax discount rate of 13% (2011: 15.5%) 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 1.2 for further details of the Company's status in respect of sourcing new funding or facilities.)

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

	2012	2011
	(in million Baht)	
Galvanizing line	5,038	5,038
Reversing Mill line	1,525	1,525
Others	212	212
<b>Total</b>	<b>6,775</b>	<b>6,775</b>



## 12 Intangible assets

	Software	License (in million Baht)	Total
<b>Cost</b>			
At 1 January 2011	211	41	252
<b>At 31 December 2011 and 1 January 2012</b>	<b>211</b>	<b>41</b>	<b>252</b>
<b>At 31 December 2012</b>	<b>211</b>	<b>41</b>	<b>252</b>
<b>Amortisation</b>			
At 1 January 2011	190	21	211
Amortisation charge for the year	2	2	4
<b>At 31 December 2011 and 1 January 2012</b>	<b>192</b>	<b>23</b>	<b>215</b>
Amortisation charge for the year	3	2	5
<b>At 31 December 2012</b>	<b>195</b>	<b>25</b>	<b>220</b>
<b>Net book value</b>			
At 1 January 2011	21	20	41
<b>At 31 December 2011 and 1 January 2012</b>	<b>19</b>	<b>18</b>	<b>37</b>
<b>At 31 December 2012</b>	<b>16</b>	<b>16</b>	<b>32</b>

## 13 Other non-current assets

	2012 (in million Baht)	2011
Suspended construction in progress	2,086	2,086
Less allowance for impairment	(2,042)	(2,042)
	<u>44</u>	<u>44</u>
Advances to suppliers	202	202
Less allowance for impairment	(202)	(202)
	<u>-</u>	<u>-</u>
Advances for purchase of property, plant and equipment	276	350
Less allowance for impairment	(66)	(140)
	<u>210</u>	<u>210</u>
Promissory notes	143	143
Less allowance for impairment	(143)	(143)
	<u>-</u>	<u>-</u>
Deferred cost of roll - net	100	113
Refundable deposits	22	22
Cash guarantee for the Company's utility usage	20	-
Others	10	13
<b>Net</b>	<b><u>406</u></b>	<b><u>402</u></b>

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 2012 and 2011, 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.

On 2 November 2012, the Company’s Board of Directors approved a mortgage transaction with a supporting customer to secure a loan facility that amount of Baht 360 million. Under this mortgage transaction, the Company and the land seller agreed to mortgage 5 deeds of land which are presented as part of advances for purchase of property, plant and equipment amounting to Baht 210 million as collateral for long-term loan from supporting customer. Refer to Note 14, Interest bearing liabilities for the detail of long-term loan from other party.

On 23 November 2012, the Company has pledged cash with an utility provider amounting to Baht 20 million as collateral for the Company’s utility usage.

#### 14 Interest-bearing liabilities

	Note	2012 (in million Baht)	2011
<b>Current</b>			
Current portion of long - term loan from a related party (unsecured)	4	521	-
Current portion of long - term loan from other party (secured)		212	-
Short - term loans from other parties (unsecured)		173	141
Trade accounts payable			
Secured		66	1,312
Unsecured	15	1,547	2,398
		<u>1,613</u>	<u>3,710</u>
Other payables and accrued expenses			
Secured		209	-
Unsecured		588	971
		<u>797</u>	<u>971</u>
Payable to a related party from offsetting machinery purchases (unsecured)	4	946	946
		<u>4,262</u>	<u>5,768</u>
<b>Non-current</b>			
Debentures (unsecured)	4	1,210	-
Long - term loan from other party (secured)		148	-
		<u>1,358</u>	<u>-</u>
<b>Total</b>		<u><b>5,620</b></u>	<u><b>5,768</b></u>

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

	2012	2011
	<i>(in million Baht)</i>	
Within one year	4,262	5,768
After one year but within five years	1,358	-
<b>Total</b>	<b>5,620</b>	<b>5,768</b>

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

	Note	2012	2011
		<i>(in million Baht)</i>	
Inventories	8	88	1,293
Property, plant and equipment	11	1,578	-
Advances for purchase of property, plant and equipment	13	210	-
<b>Total</b>		<b>1,876</b>	<b>1,293</b>

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

	2012	2011
	<i>(in million Baht)</i>	
Thai Baht (THB)	3,753	2,415
United States Dollars (USD)	1,867	3,353
<b>Total</b>	<b>5,620</b>	<b>5,768</b>

#### ***Short-term loans from other parties***

Short-term loans from other parties are unsecured and bear interest (including other fees) at 6.79% to 30.00% per annum in 2012 (2011: 6.00% to 30.00% per annum).

#### ***Long-term loans from other party***

On 1 November 2012, the Company obtained a credit facility from a Supporting Customer for a total amount of Baht 360 million which bears interest at 8% per annum, payable monthly (in case of default on the repayment the interest rate will be 15% per annum). The draw down principal is repayable in fifteen monthly instalments starting from 7 March 2013. The amount of the instalments ranges from Baht 18 million to Baht 32.4 million. The credit facility is collateralised by part of the Company's machinery, an advance payment for land and a joined guarantee from an overseas supplier. The joined guarantee covers only 20% of the total facility.

### *Debentures issued and debt restructuring program*

On 2 July 2012, the Company issued unsecured debentures of the Company due in 2014 to 17 creditors in the amount of Baht 1,616 million under the debt restructuring program, according to the approval of 2012 Annual General Meeting of Shareholders held on 30 April 2012, approved the issued and allocation of unsecured debentures in the amount not over than Baht 3,000 million.

Seventeen creditors exchange their net outstanding receivables from the Company amounting to Baht 1,843 million for debentures amounting to Baht 1,616 million.

The details are as follow:

No. of debentures	: 161,613 units
Face value per unit	: Baht 10,000
Total value of debentures	: Baht 1,616 million
Maturity	: 2 years
Interest rate	: 3% p.a.
Issuance Date	: 2 July 2012
Maturity Date	: 2 July 2014

The remaining debentures amounting to Baht 1,384 million will be used for the debt restructuring program in the future.

On 2 July 2012, GS Securities issued 157.5 million ordinary shares with par value Baht 10 per share, totalling Baht 1,575.4 million to exchange with those debentures.

On 2 July 2012, G Steel issued 3,150.8 million ordinary shares with par value Baht 1 per share, at an offering price of Baht 0.50 per share, totalling Baht 1,575.4 million in exchange for the 157.5 million ordinary shares of GS Securities Holdings Co., Ltd., par value Baht 10 per share, totalling Baht 1,575.4 million to support the Company's debt restructuring program.

On 2 November 2012, the Company entered into a compromise agreement with a creditor to exchange its outstanding receivables from the Company amounting to Baht 115 million for debentures amounting to Baht 115 million which bears interest at 3% per annum. The draw down principal is repayable in two year.

The details are as follow:

No. of debentures	: 11,451 units
Face value per unit	: Baht 10,000
Total value of debentures	: Baht 115 million
Maturity	: 2 years
Interest rate	: 3% p.a.
Issuance Date	: 8 November 2012
Maturity Date	: 8 November 2014

Later on 9 November 2012, GS Securities Holdings Co., Ltd. issued 11.45 million ordinary shares with a par value of Baht 10 per share, totalling Baht 115 million to exchange with those debentures.

After that, G Steel issued 229 million ordinary shares with par value Baht 1 per share, at an offering price of Baht 0.50 per share, totalling Baht 115 million in exchange for the 11.45 million ordinary shares with a par value of Baht 10 per share of GS Securities Holdings Co., Ltd.



As a result of the debt restructuring described above, the Company has recorded a gain of Baht 191 million detailed as follows:

<i>For the year ended 31 December</i>	<i>Note</i>	<i>2012 (in million Baht)</i>
Carrying value of the debts obligation before the debt restructuring program		
- Short-term loan from other parties		18
- Trade accounts payable (after offsetting with trade accounts receivable and other current assets of Baht 39 million)	15	991
- Advance from customers		98
- Other payables and accrued expenses-related party	16	500
- Other payables and accrued expenses-other parties	16	46
- Accrued interest expense		269
- Liabilities under rehabilitation plan	18	35
<b>Total</b>		<b>1,957</b>
Less Future cash payments		
- Current portion of long-term loan from a related party	4	(521)
- Debentures (Principal)	4	(1,210)
- Interest payment (Transfer to provisions)	4	(35)
		<b>(1,766)</b>
<b>Gain from debt restructuring</b>		<b>191</b>

Refer to Note 4, Related parties for details of long-term loan from a related party and Note 38, Events after the reporting period for details of redemption of the Company's debentures and the results of sale of the Company's newly issued shares and paid up by conversion of long-term loan from GS Securities.

## 15 Trade accounts payable

	<i>Note</i>	<i>2012 (in million Baht)</i>	<i>2011</i>
Related parties	4	128	156
Other parties		2,096	4,466
<b>Total</b>		<b>2,224</b>	<b>4,622</b>

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

	<i>2012 (in million Baht)</i>	<i>2011</i>
Thai Baht (THB)	761	1,535
United States Dollars (USD)	1,436	3,058
Euro Dollars (EUR)	27	29
<b>Total</b>	<b>2,224</b>	<b>4,622</b>

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 1,547 million as at 31 December 2012 and pays interest from 6.40% to 6.79% per annum on the payables balance (2011: Baht 2,398 million, interest rate at 1.00% to 6.45% per annum). Refer to Note 1.3 for details of trade creditor restructuring.

Refer to Note 14, Interest-bearing liabilities for the result of debt restructuring program, during the year ended 31 December 2012, trade account payable exchanges net their outstanding receivables from the Company amounting to Baht 991 million (after offsetting with trade accounts receivable and other current assets of Baht 39 million) for the Company's debentures.

## 16 Other payables and accrued expenses

	Note	2012 (in million Baht)	2011
Related parties	4	379	907
Former related party	5	25	25
Other parties		1,086	1,312
<b>Total</b>		<b>1,490</b>	<b>2,244</b>

The Company provided a performance guarantee for an Intermediary to two End Use Customers. These two End Use Customers are also Major Trade Creditors of the Company. The Company has recognised liabilities as other payables and accrued expenses amounting to USD 17 million equivalent to Baht 533 million as at 31 December 2012 (2011: USD 17 million equivalent to Baht 552 million) under the performance guarantee.

Refer to Note 14 for details of debt restructuring program. During the year ended 31 December 2012 Other payables-related party and Other payables-other parties exchanged their outstanding receivables from the Company amounting to Baht 500 million and Baht 46 million, respectively for the Company's debentures.

Refer to Note 4, Related parties and Note 38, Events after the reporting period for details of the results of sale of the Company's newly issued shares and paid up by conversion of the Overdue Service Balances owned by the Company to OAC.

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

	2012 (in million Baht)	2011
Thai Baht (THB)	519	721
United States Dollars (USD)	969	1,514
Euro Dollars (EUR)	2	9
<b>Total</b>	<b>1,490</b>	<b>2,244</b>

## 17 Other current liabilities

	2012 (in million Baht)	2011
Machinery purchase payable	14	15
Tax-related liabilities	558	540
Construction payables	13	13
<b>Total</b>	<b>585</b>	<b>568</b>

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

	2012	2011
	<i>(in million Baht)</i>	
Thai Baht (THB)	558	540
United States Dollars (USD)	25	26
Euro Dollars (EUR)	2	2
<b>Total</b>	<b>585</b>	<b>568</b>

## 18 Liabilities under rehabilitation plan

	Note	2012	2011
		<i>(in million Baht)</i>	
Balance - beginning of the year		376	367
Paid during the year		(20)	-
Conversion of debts to debentures	14	(35)	-
Exchange rate adjustments during the year		(4)	9
Balance - end of the year		<b>317</b>	<b>376</b>

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

			2012	2011
			<i>(in million Baht)</i>	
Creditors		Due date		
Class 4	Employee	Repayable in July 2015	4	4
Class 5	Equipment Claims	Repayable in October 2011	35	35
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	262	321
	<b>Total</b>		<b>317</b>	<b>376</b>

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 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 2012 and 2011 as current liabilities in the Company's statement of financial position. As a consequence of this default, the outstanding balances are payable on demand and accrue interest at a rate of 7.5% annually from the date of default.

Refer to Note 11 for details of the security for the Company's rehabilitation plan liabilities.

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

	2012	2011
	<i>(in million Baht)</i>	
Thai Baht (THB)	211	263
United States Dollars (USD)	93	100
Euro Dollars (EUR)	9	9
Singapore Dollars (SGD)	4	4
<b>Total</b>	<b>317</b>	<b>376</b>

## 19 Employee benefit obligations

	2012	2011
	<i>(in million Baht)</i>	
<b>Statement of financial position obligations for:</b>		
Post-employment benefits	19	9
	<b>19</b>	<b>9</b>
 <i>Year ended 31 December</i>		
	2012	2011
	<i>(in million Baht)</i>	
<b>Statement of comprehensive income</b>		
<b>recognised in profit or loss:</b>		
Post-employment benefits	10	9
	<b>10</b>	<b>9</b>

The Company adopted TAS 19 - Employee Benefits with effect from 1 January 2011. The Company 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:

	2012	2011
	<i>(in million Baht)</i>	
Unrecognised transitional obligation as at 1 January	19	24
Recognised through profit or loss for the period	(5)	(5)
<b>Unrecognised transitional obligation as at 31 December</b>	<b>14</b>	<b>19</b>

### *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:

	2012	2011
	(in million Baht)	
Present value of unfunded obligations	33	28
Unrecognised transitional obligation	(14)	(19)
<b>Statement of financial position obligation</b>	<b>19</b>	<b>9</b>

Movement in the present value of the defined benefit obligations:

<i>Year ended 31 December</i>	2012	2011
	(in million Baht)	
Defined benefit obligations at 1 January	28	24
Current service costs and interest	5	4
<b>Defined benefit obligations at 31 December</b>	<b>33</b>	<b>28</b>

Expense recognised in profit or loss:

<i>Year ended 31 December</i>	2012	2011
	(in million Baht)	
Transitional obligation recognised	5	5
Current service costs	5	4
<b>Total</b>	<b>10</b>	<b>9</b>

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

<i>Year ended 31 December</i>	2012	2011
	(in million Baht)	
Cost of sales and administrative expenses	10	9
<b>Total</b>	<b>10</b>	<b>9</b>

No actuarial gains and losses were recognised in other comprehensive income for the year ended 31 December 2012. (2011: Nil)

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

	2012	2011
	(%)	
Discount rate	4.2 per year	4.2 per year
Future salary increases	5.0 - 7.0	5.0 - 7.0
Turnover	5.0 - 10.0	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.

## 20 Provisions

	Purchase orders of undelivered raw material <i>(See note 34.3)</i>	Purchase of inferior raw material	Performance guarantees	Tax- related liabilities	Deferred interest from debt restructuring <i>(See note 14)</i>	Total
	<i>(in million Baht)</i>					
At 1 January 2011	-	100	678	739	-	1,517
Provisions made	146	-	-	137	-	283
Provisions paid	-	-	-	(16)	-	(16)
Provisions transferred	-	(100)	(678)	-	-	(778)
<b>At 31 December 2011</b>	<b>146</b>	<b>-</b>	<b>-</b>	<b>860</b>	<b>-</b>	<b>1,006</b>
Provisions made	41	-	-	134	-	175
Provisions transferred	-	-	-	-	35	35
<b>At 31 December 2012</b>	<b>187</b>	<b>-</b>	<b>-</b>	<b>994</b>	<b>35</b>	<b>1,216</b>
<b>At 31 December 2011</b>						
- Current	146	-	-	860	-	1,006
<b>At 31 December 2012</b>						
- Current	187	-	-	994	-	1,181
- Non-current	-	-	-	-	35	35
<b>Total</b>	<b>187</b>	<b>-</b>	<b>-</b>	<b>994</b>	<b>35</b>	<b>1,216</b>

#### *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 by settlement with payable of 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. 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.

Subsequent to 31 December 2012, the Company submitted a filing related to these obligations with the tax authorities and is waiting for the outcome of the settlement discussions which are subject to the formal approval of the Revenue Department.

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

	2012	2011
	<i>(in million Baht)</i>	
Thai Baht (THB)	1,029	860
United States Dollars (USD)	187	146
<b>Total</b>	<b>1,216</b>	<b>1,006</b>

## 21 Share capital

The movements of share capital for the years ended 31 December 2012 and 2011 were as follows:

		2012		2011	
	<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>
<b><i>Authorised</i></b>					
At 1 January					
-ordinary shares	0.69	58,663,842	40,478,051	58,663,842	40,478,051
<b>At 31 December</b>					
<b>-ordinary shares</b>	<b>0.69</b>	<b>58,663,842</b>	<b>40,478,051</b>	<b>58,663,842</b>	<b>40,478,051</b>
<b><i>Issued and paid up</i></b>					
At 1 January					
-ordinary shares	0.69	39,903,342	27,553,306	39,702,517	27,394,736
Issue of new shares	0.69	-	-	200,825	138,570
<b>At 31 December</b>					
<b>-ordinary shares</b>	<b>0.69</b>	<b>39,903,342</b>	<b>27,533,306</b>	<b>39,903,342</b>	<b>27,533,306</b>

### ***Issue of ordinary shares***

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 22) of Baht 50 million at the exercise price of Baht 0.25 per share. On 31 December 2012 and 2011, the Company had issued share capital of 39,903 million ordinary shares with par value of Baht 0.69 per share.

Refer to Note 38, Events after the reporting period for details of the Company’s EGM no.1/2013 regarding the Company’s newly issued ordinary shares and the results of sale of the Company’s newly issued shares.

### ***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)*

	2012	2011
	<i>(in million Baht)</i>	
Share premium (discount)		
At 1 January	394	480
Issuance of shares from exercised warrants	-	(86)
<b>At 31 December</b>	<b>394</b>	<b>394</b>

## **22 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” (“GJS-W2”) 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 GJS-W2.
- The offering price of a GJS-W2 unit was Baht 0.03 per unit.
- One GJS-W2 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 GJS-W2, the holder is required to remit Baht 0.75 per unit to the Company.
- The GJS-W2 has 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 GJS-W2, 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 2012 and 2011 were as follows:

	<i>Offering price of warrant per unit (in Baht)</i>	2012		2011	
		Unit	Amount	Unit	Amount
<i>(thousand units / in thousand Baht)</i>					
<b><i>Warrants</i></b>					
At 1 January					
-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	-
Exercised Second Warrants	0.03	-	-	(66,942)	(2,008)
Termination of First Warrants	0.05	-	-	(3,233,789)	(161,689)
<b>At 31 December</b>					
- First Warrants	0.05	-	-	-	-
- Second Warrants	0.03	4,933,058	147,992	4,933,058	147,992
- ESOP Warrants	0.00	727,536	-	727,536	-

Refer to Note 38, Events after the reporting period for details of the Company's EGM no.1/2013 regarding the issuance and offering of the Company's new warrants and the results of issuance and allocation of warrants.

## 23 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.

## 24 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 2012 and 2011 were as follows:

	2012	2011
	<i>(in million Baht)</i>	
<b>Segment revenue</b>		
Domestic	7,809	18,429
Export	94	178
<b>Total</b>	<b>7,903</b>	<b>18,607</b>
<b>Segment result - gross profit (loss)</b>		
Domestic	(328)	650
Export	(13)	24
<b>Total</b>	<b>(341)</b>	<b>674</b>

### **25 Selling expenses**

	2012	2011
	<i>(in million Baht)</i>	
Packing expenses	2	4
Domestic shipping expenses	66	133
Export shipping expenses	7	7
<b>Total</b>	<b>75</b>	<b>144</b>

### **26 Administrative expenses**

	Note	2012	2011
		<i>(in million Baht)</i>	
Operating service expenses	4	-	303
Idle costs - depreciation and amortisation expenses	28	580	143
Idle costs - employee benefit expenses	28	129	37
Idle costs - others		107	13
Provision for tax-related liabilities	20	134	137
Penalty charges		43	11
Depreciation and amortisation expenses	28	43	42
Employee benefit expenses	28	223	227
Demurrage charges		34	16
Professional and consulting fees		31	13
Others		109	180
<b>Total</b>		<b>1,433</b>	<b>1,122</b>



## 27 Employee benefit expenses

	2012	2011
	<i>(in million Baht)</i>	
<b>Management</b>		
Wages and salaries	29	28
Welfare	2	4
Contribution to provident fund	1	1
	<b>32</b>	<b>33</b>
<b>Other employees</b>		
Wages and salaries	272	290
Welfare	112	128
Contribution to provident fund	18	17
	<b>402</b>	<b>435</b>
<b>Total</b>	<b>434</b>	<b>468</b>

### *Defined benefit plans*

Details of the defined benefit plans are given in Note 19.

### *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.

## 28 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	2012	2011
		<i>(in million Baht)</i>	
<b>Included in cost of sales of goods:</b>			
Changes in inventories of finished goods	8	(271)	157
Raw materials and consumables used	8	6,502	14,564
Depreciation and amortisation expenses		358	866
Employee benefit expenses	27	82	204
<b>Included in administrative expenses:</b>			
Depreciation and amortisation expenses (including in idle cost)	26	580	143
Depreciation and amortisation expenses	26	43	42
Employee benefit expenses (including in idle cost)	26, 27	129	37
Employee benefit expenses	26, 27	223	227
Operating lease expense		5	4

## 29 Finance costs

	Note	2012 (in million Baht)	2011
Finance costs			
- Related party	4	77	75
- Other parties		433	270
- Financial institution		1	3
<b>Total</b>		<b>511</b>	<b>348</b>

## 30 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*

Royal Decree No. 530 B.E. 2554 dated 21 December 2011 grants a reduction in the corporate income tax rate for the three accounting periods 2012, 2013 and 2014; from 30% to 23% for the accounting period 2012 which begins on or after 1 January 2012 and to 20% for the following two accounting periods 2013 and 2014 which begin on or after 1 January 2013 and 2014, respectively.

It is understood that the Government will proceed to amend the law in order to maintain the corporate income tax rate at not higher than 20% for the accounting period 2015 which begins on or after 1 January 2015 and onwards in order to give full effect to the Cabinet resolution dated 11 October 2011 to increase Thailand's tax competitiveness.

## 31 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	2012 Non- Promoted businesses	Total (in million Baht)	Promoted businesses	2011 Non- Promoted businesses	Total
Export Sale	94	-	94	178	-	178
Domestic Sale	7,748	61	7,809	18,215	214	18,429
<b>Total revenue</b>	<b>7,842</b>	<b>61</b>	<b>7,903</b>	<b>18,393</b>	<b>214</b>	<b>18,607</b>

### 32 Loss per share

#### *Basic loss per share*

The calculations of basic loss per share for the years ended 31 December 2012 and 2011 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:

	2012 (in million Baht / million shares)	2011
<b>Loss for the year attributable to ordinary shareholders of the Company</b>	<b>2,037</b>	<b>1,292</b>
Number of ordinary shares outstanding at 1 January	39,903	39,703
Effect of shares issued on 11 January 2011	-	195
<b>Weighted average number of ordinary shares outstanding</b>	<b>39,903</b>	<b>39,898</b>
<b>Loss per share (basic) (in Baht)</b>	<b>0.05</b>	<b>0.03</b>

Diluted loss per share for the period ended 31 December 2012 and 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.

### 33 Financial instruments

As at 31 December 2012 and 2011, 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	2012		Total
			After 1 year but within 5 years (in million Baht)	After 5 years	
<i>Financial assets :</i>					
Cash and cash equivalents	0.15 - 0.75	34	-	-	34
Short-term loans to related parties	9	28	-	-	28
Restricted deposits at Financial institutions	2.50 - 3.00	-	1	-	1
		<b>62</b>	<b>1</b>	<b>-</b>	<b>63</b>
<i>Financial liabilities :</i>					
Short-term loan from other parties	6.79 - 30.00	173	-	-	173
Trade accounts payable (with interest - bearing)	6.40 - 7.50	1,613	-	-	1,613
Current portion of long-term loan from a related party	3.00	521	-	-	521
Other payable and accrued expenses (with interest - bearing)	7.50 - 24.00	797	-	-	797
Payable to related party from offsetting of machinery purchase	MLR+1	946	-	-	946
Long-term loan from other parties	8.00	212	148	-	360
Debentures	3.00	-	1,210	-	1,210
		<b>4,262</b>	<b>1,358</b>	<b>-</b>	<b>5,620</b>



			2011		
	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	0.75 - 2.60	32	-	-	32
Current investment	1.00 - 1.85	7	-	-	7
Restricted deposits at financial institutions	1.00 - 1.85	-	177	-	177
		<b>39</b>	<b>177</b>	<b>-</b>	<b>216</b>
<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)	7.50 - 24.00	971	-	-	971
Payable to a related party from offsetting of machinery purchase	MLR+1	946	-	-	946
		<b>5,768</b>	<b>-</b>	<b>-</b>	<b>5,768</b>

#### **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	2012 (in million Baht)	2011 (in million Baht)
<i>United States Dollars</i>			
Cash and cash equivalents	6	8	9
Trade accounts receivable	7	14	14
Short-term loans from other parties	14	(120)	(127)
Trade accounts payable	15	(1,436)	(3,058)
Other payables and accrued expenses	16	(969)	(1,514)
Accrued interest expenses		(666)	(413)
Provision	20	(187)	(146)
Other current liabilities	17	(25)	(26)
Liabilities under rehabilitation plan	18	(93)	(100)
<b>Gross exposure in statement of financial position</b>		<u>(3,474)</u>	<u>(5,361)</u>
Estimated forecast purchases		<u>(2,614)</u>	<u>(2,333)</u>
<b>Gross exposure</b>		<u>(6,088)</u>	<u>(7,694)</u>

	<i>Note</i>	<i>2012</i> <i>(in million Baht)</i>	<i>2011</i>
<b><i>Euro</i></b>			
Trade accounts payable	<i>15</i>	(27)	(29)
Other payables and accrued expenses	<i>16</i>	(2)	(9)
Other current liabilities	<i>17</i>	(2)	(2)
Liabilities under rehabilitation plan	<i>18</i>	(9)	(9)
<b>Gross exposure in statement of financial position</b>		<b>(40)</b>	<b>(49)</b>
Estimated forecast purchases		(324)	(289)
<b>Gross exposure</b>		<b>(364)</b>	<b>(338)</b>
<b><i>Singapore Dollars</i></b>			
Liabilities under rehabilitation plan	<i>18</i>	(4)	(4)
<b>Gross exposure in statement of financial position</b>		<b>(4)</b>	<b>(4)</b>
<b>Gross exposure</b>		<b>(4)</b>	<b>(4)</b>

### ***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 7). 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 1.3).

### ***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.

## 34 Commitments with non-related parties

### 34.1 Commitments

	2012	2011
	<i>(in million Baht)</i>	
<b><i>Lease and service agreement commitments</i></b>		
Within one year	4	5
After one year but within five years	6	2
<b>Total</b>	<b>10</b>	<b>7</b>
<b><i>Other commitments</i></b>		
Bank guarantees	1	185

Refer to Note 10, Restricted deposits at financial institution for details of the Payment of the bank guarantee and the cancellation of the bank guarantee.

### 34.2 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 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.

	2012	2011
	<i>(in million Baht)</i>	
<b><i>Long-term agreement commitments</i></b>		
Within one year	71	71
After one year but within five years	282	283
After five years	483	553
<b>Total</b>	<b>836</b>	<b>907</b>

### 34.3 Raw material purchase orders

As at 31 December 2012, the Company had outstanding purchase orders for raw materials that have not been delivered to the Company totalling Baht 3,459 million (2011: Baht 2,102 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 41 million (2011: 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 2012 (Refer to Note 20).

As at 31 December 2012, 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 6.40% to 6.79% per annum on the unreleased raw materials in addition to the payables balance (as detailed in Note 15) (2011: 1.00% to 6.45% per annum).

### **34.4 Customer advances**

As of 31 December 2012, the Company had received advances from customers totalling Baht 601 million (2011: Baht 560 million) and had the obligation to deliver goods to the customers in the future.

### **34.5 Financial advisory agreements**

The Company have entered into various financial advisory agreements with third parties for advice on finding additional credit facilities, refinancing existing debt from financial institutions and negotiating improved terms of payment with trade creditors. The fees are payable based on a fixed fee per month plus a success fee which becomes payable upon completion of the transaction.

## **35 Litigation**

### **35.1 Suppliers complaint pending litigation**

Twenty two suppliers filed a complaint against the Company for breach of several agreements related to sales and purchases and rehabilitation plan in the amount of Baht 141 million together with interest at the rate of 7.5% per annum on the principal amount of Baht 113 million from the date of filing the complaint until the date of full repayment and together with interest at the rate of 15% per annum on the principal amount of Baht 4 million from the date of filing the complaint until the date of full repayment. Presently, the five cases compromise has 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 41 million as at 31 December 2012. The Company has recorded the principal amount under the claim in the total amount of Baht 116 million within trade and other accounts payable and liabilities under rehabilitation plan as at 31 December 2012.

### **35.2 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.



### 35.3 Central Labour Court

A former employee filed a complaint to the Central Labour Court against the Company for alleged breach of an employment agreement and demands the Company to pay him together with interest at the rate 7.5% per annum from the date of filing. Presently, this case is pending in the Central Labour Court. The management believes that the results will not have a significant impact on the financial statements.

### 35.4 The Second Section of Labour Court

A former employee filed a complaint to the Second Section of Labour Court against the Company for the lay-off and demands the Company to pay him together with interest at the rate 7.5% per annum from the date of filing. Presently, this case is pending in the Second Section of Labour Court. The management believes that the results will not have a significant impact on the financial statements.

## 36 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.

## 37 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 in the following table.

TFRS	Topic	Year effective
TAS 12	Income Taxes	2013
TAS 20	Accounting for Government Grants and Disclosures of Government Assistance	2013
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates	2013
TFRS 8	Operating Segments	2013

Management expects to adopt and apply these new 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 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 carryforward 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 not have a significant impact on the Company's financial statements.

### ***TAS 20 - Accounting for government grants and disclosures of government assistance***

Management is of the opinion that the adoption of TAS 20 from 1 January 2013 will not have a significant impact on the Company's financial statements.

### ***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 is not expected to have a significant impact on the Company's reported assets, liabilities, or retained earnings.

### ***TFRS 8 – Operating segments***

The principal change introduced by TFRS 8 is the introduction of the concept of presenting operating segments based on the information that internally is provided to the Company's chief operating decision maker. Since the change in accounting policy only impacts disclosure aspects, there is no impact on the Company's financial statements.

## **38 Events after the reporting period**

### ***38.1 GJS Notes Holdings Company Limited***

GJS Notes Holdings Company Limited ("GJS Notes") (a subsidiary in which the Company holds 99.99 of the authorized share capital) has been registered with the Ministry of Commerce on 25 January 2013. GJS Notes has authorised share capital of Baht 0.2 million. The objective of GJS Notes is to support the Company's restructuring program.

### 38.2 The Company's EGM no.1/2013

On 7 January 2013, the Company's EGM no.1/2013 passed the following resolutions;

1. Approval of the debt-to-equity conversion of debt owed to G Steel, OAC and GS Securities amounting to Baht 2,051 million.
2. Reduction of the Company's registered share capital by 3,234 million shares, with a par value of Baht 0.69 per share, from the existing registered capital of Baht 40,478 million to Baht 38,247 million by cancelling the Company's unissued shares.
3. Increase of the Company's registered share capital from Baht 38,247 million to Baht 129,980 million by issuing up to 132,947 million ordinary shares, at a par value of Baht 0.69 per share to existing shareholders, G Steel and/or its subsidiaries, The Brooker Group Public Company Limited and/or its subsidiaries ("Financial Advisor").
4. Issuance and offering of new warrants up to 5,986 million units ("GJS-W3") to existing shareholders which give the right to subscribe to newly issued ordinary shares (Rights Offering: "RO") in the ratio of 10 new ordinary shares with 1 unit of GJS-W3. GJS-W3 has a seven-year maturity from the issuance date with an exercise ratio of one GJS-W3 unit for 4 new ordinary shares of the Company with an exercise price of Baht 0.15 per share.
5. Issuance and offering of new warrants up to 2,850 million units ("GJS-W4") to G Steel and/or its subsidiaries in a private placement in the ratio of 10 new ordinary shares with 1 unit of GJS-W4. GJS-W4 has a seven-year maturity from the issuance date with the exercise ratio at a GJS-W4 unit: 4 new ordinary shares of the Company with the exercise price of Baht 0.15 per share.
6. Allocation of the Company's newly issued ordinary shares as follows:
  - 6.1 To allocate up to 59,855 million newly issued ordinary shares at an offering price of Baht 0.08 per share to the existing shareholders under RO, at a ratio of 1 existing share to 1.5 new ordinary shares.
  - 6.2 To allocate up to 23,942 million newly issued ordinary shares in order to support the exercise of the warrants allocated to the Company's existing shareholders under RO.
  - 6.3 To allocate up to 28,503 million newly issued ordinary shares at an offering price of Baht 0.08 per share to G Steel and/or its subsidiaries who are the Company's creditors under the debt to equity conversion plan and/or in cash by way of private placement.
  - 6.4 To allocate up to 11,401 million newly issued ordinary shares in order to support the exercise of the warrants allocated to G Steel and/or its subsidiaries under private placement.
  - 6.5 To allocate up to 1,600 million newly issued ordinary shares at the offering price of Baht 0.08 per share, to Financial Advisor under private placement in consideration of the advice provided for the capital raising and capital restructuring. The Financial Advisor will make payment in kind for these shares in the form of shares of subsidiaries of the Company.
  - 6.6 To allocate up to 7,286 million newly issued ordinary shares to support the adjustment of the exercise price of GJS-W2 due to the issue and offering of new shares and warrants at discount.

After the adjustment of the exercise price of GJS-W2, the exercise price of GJS-W2 changed from Baht 0.25 per share to Baht 0.207 per share and the exercise ratio changed from one GJS-W2 unit for 3 new ordinary shares of the Company to one GJS-W2 unit for 3.63 new ordinary shares of the Company.

- 6.7 To allocate up to 359 million newly issued ordinary shares to support the adjustment of the exercise price of ESOP warrants due to the issue and offering of new shares and warrants at discount.

After the adjustment of the exercise price of ESOP warrants, the exercise price of ESOP warrants changed from Baht 0.69 per share to Baht 0.571 per share and the exercise ratio changed from one ESOP warrant unit for a new ordinary shares of the Company to one ESOP warrant unit for 1.21 new ordinary shares of the Company.

7. Appointment of a management company to manage the Company's business.

### **38.3 Change of directors and turnaround plan**

On 17 and 21 January 2013, the Company announced the appointment of six directors to the Company's board of directors to replace the directors who resigned. The directors who were appointed are as shown below;

1. General Lertrat Ratanavanich
2. Mr. Ivo Naumann
3. Mr. William Anthony Gloyne
4. Mr. Flemming Jensen
5. Mr. Paniti Junhasavasdikul
6. Mrs. Churairat Panyarachun

During October - November 2012 G Steel engaged Alix Partners LLP, a specialist company turnaround consulting firm with expertise in heavy industry, to conduct a detailed review of the business and to provide a turnaround plan. The turnaround plan implementation formally began on 5 February following the fund raising (Rights Offering) of January 2013. In parallel with the Alix Partners team G Steel has appointed new external persons as Directors in the positions of Chief Financial Officer, Commercial (Procurement & Sales) Director and Legal Counsel.

### **38.4 The Company's Board of Directors' Meeting no.3/2013**

On 8 February 2013, the Company's Board of Directors' Meeting no.3/2013 passed the following resolutions;

- Allocation up to 215 million new shares at Baht 0.11 per share to Renaissance Advisory Limited ("RA") as of part of its remuneration. RA will obtain those shares in exchange for shares in GJS Notes at a ratio of 1 share GJS Notes for 72.727 shares of the Company.
- Approval of the valuation of the shares in GJS Notes to be exchanged for the Company's new shares to be issued to Financial Advisor in lieu of their fees at the ratio of 1 GJS Notes share to 100 shares of the Company.
- Approved to call and schedule the Company's EGM No.2/2013 on 18 March 2013.



### ***38.5 The results of sale of the Company's newly issued shares and warrants***

On 13 February 2013, the Company announced the results of sale of the Company's newly issued ordinary shares of 64,286 million shares at par value of Baht 0.69 per share as follows;

a) The existing shareholders

A total of 59,855 million ordinary shares were allocated to the existing shareholders at an offering price of Baht 0.08 per share, of which 36,744 million shares were subscribed, resulting in proceeds of Baht 2,940 million. G Steel and OAC waived their right to subscribe the remaining 23,111 million shares.

b) Private placement to G Steel and and/or its subsidiaries

A total of 28,503 million ordinary shares were allocated to G Steel and/or its subsidiaries under a private placement at an offering price of Baht 0.08 per share, of which 27,541 million shares were subscribed and paid up by conversion of outstanding debts with the Company for an amount of Baht 2,051 million and in cash for an amount of Baht 152 million. The remainder of unsold shares for this lot is 962 million shares.

The remaining unsubscribed shares from placement with existing shareholders and the private placement with G Steel and/or subsidiaries of 24,073 million shares will be presented to the shareholders' meeting for further consideration.

On 14 February 2013, the Company announced the results of issuance and allocation of GJS-W3 to the existing shareholders who subscribed for newly issued ordinary shares and were allocated 3,675 million units of GJS-W3, at the offering price Baht 0 per unit. The remaining unallocated 2,311 million units arose from G Steel and/or its subsidiaries waiving their subscription rights to the newly issued ordinary shares.

On 27 February 2013, the Company announced the results of issuance and allocation of GJS-W4 to G Steel and/or subsidiaries were allocated 2,850 million units of GJS-W4, at the offering price Baht 0 per unit. The remaining unallocated for this lot is 96 million units.

The remaining warrants and ordinary shares reserved for such warrants will be presented to the shareholders' meeting for further consideration.

### ***38.6 Redemption of the Company's debentures and indemnification of G Steel shareholder***

On 15 January 2013, G Steel borrowed an amount of Baht 684 million, bearing interest at 3% per annum, by entering into a loan agreement with GS Securities for the purpose of the partial settlement of a claim of one of G Steel's shareholders ("Shareholders 1") against G Steel and OAC. Previously, Shareholders 1 had assigned all its rights, title and interests in and over a Partial Settlement of its claims as ordered by the Bangkok South Civil Court on 25 October 2012, to World Access International Holdings Limited, Hong Kong, ("World Access"). World Access appointed Ban Chang Group Public Company Limited ("Ban Chang") as its agent.

On 31 January 2013, the Company redeemed part of its outstanding debentures with GS Securities including accrued interest, for an amount of Baht 684 million as part of the approval from the Company's EGM No.1/2013. GS Securities and G Steel instructed the Company to pay directly to the account of Ban Chang in its capacity of agent of G Steel's shareholder.

Accordingly, the Company transferred Baht 684 million from its accounts to Ban Chang.

On 21 February 2013, the Company redeemed a part of its outstanding debentures with GS Securities including accrued interest, for an amount of Baht 403 million. On 21 February 2013, G Steel borrowed an amount of Baht 403 million, bearing interest at 8% per annum, by entering into a loan agreement with GS Securities for the purpose of the settlement of OAC's loan from financial institutions. The Company will pay to GS Securities when the settlement agreement of OAC's loan will have been finalised.

### ***38.7 Additional forced sale of the Company's shares by the creditors of G Steel***

During January and February 2013, the creditors of G Steel and OAC enforced the sale for part of the Company's shares and warrants which were pledged as collateral for the benefit of certain creditors in the amount of 3,471 million shares and 78 million units, respectively.

### ***38.8 Termination of the Mandate with SB Plc***

As the preparation, execution and delivery of Facility Documents by SB Plc was not completed within the prescribed completion date and without the prospect of the finance facilities being completed in the near future, G Steel and the Company exercised their termination rights under the SB Plc Mandate on 10 January 2013.

### ***38.9 Arrangement of New financing facilities including the Raw Material Supply Facility ("RMS Facility")***

Following termination of the SB Plc Mandate, G Steel signed a mandate letter with Chimaera Capital Markets ("CCM") for the provision of credit facilities to G Steel. Under this mandate, CCM has been appointed as the exclusive lead arranger and syndicate leader of RMS Facility for up to USD 100 million.