

ANNUAL REPORT 2011

TYC_{NS}

บริษัท ไทยคุน เวิลด์ไวด์ กรุ๊ป (ประเทศไทย) จำกัด (มหาชน)

Tycoons Worldwide Group (Thailand) Public Co.,Ltd.







Contents

| | Page |
|--|------|
| 1. General Information | 1 |
| 2. Financial Highlight | 2 |
| 3. Nature of Business | 3 |
| 4. Risk Factors | 6 |
| 5. Shareholders and Management | 8 |
| 6. Connected Transactions | 25 |
| 7. Explanation and Analysis of the Financial Position Operation Results | 27 |
| 8. Financial Statement | 35 |
| 9. Report of Audit Committee | 77 |

1. General Information**1.1 Corporate General Information**

1.1.1 Name of the company: Tycoons Worldwide Group (Thailand) Public Company Limited (TYCN)

Type of Business: To manufacture and distribute wire rod, annealed wire, screw and bolt (include thread rod)

Location: 99 Moo1, Tumbon Nikompattana Amphur Nikompattana, Rayong 21180 Thailand

Registered Share Capital: 603,503,900 common shares, 6,035,039,000 Baht.

Issued and paid-up share Capital: 603,503,900 common shares , par value 10 Baht, paid-up Capital 6,035,039,000Baht.

Company registration: 0107546000172

Telephone No. : (038)-636-800, (038)-636975

Facsimile No. : (038)-636-977

Home Page: <http://www.tycons.com>

1.1.2 Name of the Subsidiary and Associated Company :

(1) All Manage International Limited with 100 % owned by TYCN

Registered Address: P.O. Box 957, Offshare Incorporations Centre, Road Town, Tortola, British Virgin Islands.

Registered and paid-up share Capital : 1,875 ordinary shares of no par value each, paid-up Capital USD 3,000,000.-

Type of Business: Holding Company

The Certificate of Incorporation Number : 1491005

(2) TY STEEL CO., LTD with 49.76% owned by TYCN

Registered Address: 99 Moo1, Tumbon Nikompattana, Amphur Nikompattana, Rayong 21180 Thailand

Registered share and capital: 84,000,000 common shares, par value 10 baht, 840,000,000 baht

Issued share and paid-up capital: 84,000,000common shares, about 440MB

Type of business: produce and sell billet

Company registration: 0215554004031

1.1.3 Taiwan Depository Receipt (TDR)

Tycoons Group International Co., Ltd, a main shareholder of Tycoons Worldwide Group (Thailand) Public Co., Ltd., has set aside 60,000,000 common shares of Tycoons Worldwide Group (Thailand) Public Co., Ltd to issue 30,000,000 units of Taiwan Depository Receipt (TDR) in Taiwan Stock Exchange. Each TDR unit represents two common shares of Tycoons Worldwide Group (Thailand) Public Co., Ltd. and has been listed in Taiwan Stock Exchange on 29 Sep. 2011. The depository bank is First Commercial Bank, as Citibank is custodian.

1.2 Reference

1.2.1 Auditor : Ernst & Young Office Limited
33rd Floor, Lake Rajada Office Complex
193/136-137 Rajadapisek Road
Klongtoey, Bangkok 10110, Thailand.
Tel:66(2)2640777 Fax:66(2)2640789-90

1.2.2 Register : Thailand Securities Depository Co., Ltd.
 62 The Stock Exchange of Thailand Building ,7th
 Floor, Ratchadapisek Road, Klongtoey,
 Bangkok 10110, Thailand.
 Tel:66(2)2292800 Fax:66(2)3591262

2. Financial Highlight

2.1 Summary of Financial Statement for the year ended Dec 31, 2011

Unit: MB

| Transactions | Consolidated | | Separate | | |
|---|--------------|-----------|-----------|-----------|-----------|
| | 2011 | 2010 | 2011 | 2010 | 2009 |
| Total Assets | 10,498.39 | 10,320.07 | 10,514.37 | 10,329.01 | 9,713.61 |
| Total Liabilities | 4,156.46 | 4,203.32 | 4,156.46 | 4,203.32 | 3,981.88 |
| Shareholders Equity | 6,341.94 | 6,116.75 | 6,357.91 | 6,123.69 | 5,731.73 |
| Sales-Net | 8,680.88 | 6,132.88 | 8,680.88 | 6,132.88 | 4,962.02 |
| Gross profit | 812.13 | 467.62 | 812.13 | 467.62 | -629.15 |
| Net Income | 232.62 | 391.96 | 246.28 | 391.96 | -1,519.49 |
| Basic Earnings per share | 0.39 | 0.65 | 0.41 | 0.65 | -2.52 |
| The Weighted average number of common shares | 603.50 | 603.50 | 603.50 | 603.50 | 603.50 |

2.2 Financial Ratio

| Financial Ratio | Consolidated | | Separate | | |
|------------------------------------|--------------|-------|----------|-------|--------|
| | 2011 | 2010 | 2011 | 2010 | 2009 |
| Current ratio(times) | 1.35 | 1.29 | 1.35 | 1.29 | 0.97 |
| Return on total assets (%) | 3.41 | 3.91 | 3.41 | 3.91 | -13.25 |
| Return on fixed assets (%) | 9.50 | 10.70 | 9.74 | 10.70 | -20.85 |
| Return on Equity (%) | 3.73 | 6.61 | 3.73 | 6.61 | -23.39 |
| Debt to equity ratio(times) | 0.65 | 0.69 | 0.65 | 0.69 | 0.69 |
| Gross Profit Margin (%) | 9.36 | 7.62 | 9.36 | 7.62 | -12.68 |
| Net Income Margin (%) | 2.68 | 6.39 | 2.84 | 6.39 | -30.62 |
| Book Value Per Share | 10.51 | 10.14 | 10.54 | 10.15 | 9.50 |

3. Nature of Business

3.1 Company Nature of Business

Tycoons Worldwide Group (Thailand) Public Co., Ltd.(TYCN) was established on September 9, 1996. TYCN is 79.47% owned subsidiary of Tycoons Group International Co., Ltd.(TGI), incorporated in Cayman Islands by Tycoons Group Enterprise Co., Ltd (TGE), located in Taiwan. TYCN became the public company on July 9, 2003 and become a listed company on December 11, 2003. TYCN's main business is to manufacture and sell four main products including wire rod, annealed wire, screw and bolt. TYCN commenced to complete the construction of a world-class midstream to downstream vertically integrated production, regarded as the only one in Thailand and one of a few producers in the world. At present, the TYCN's production capacity of wire rod, annealed wire, screw and bolt is 360,000 tons/year, 144,000 tons/year, 36,000 tons/year and 36,000 ton/year, with the plant location in Rayong.

In year 2011, Tycoons Group International Co., Ltd has set aside 60,000,000 shares of Tycoons Worldwide Group (Thailand) Public Co., Ltd (about 9.94% of total outstanding common shares of Tycoons Worldwide Group (Thailand) Public Co., Ltd) to issue 30,000,000 units of Taiwan Depository Receipt (TDR) in Taiwan Stock Exchange and has been listed on Sep. 29, 2011. Therefore, the shareholding that Tycoons Group International Co., Ltd holds Tycoons Worldwide Group (Thailand) Public Co., Ltd decreased from 79.47% to 69.53%

1) TYCN was granted the promotional privileges from the Board of Investment (BOI) under a promotion certificate issued on October 11, 1996 to manufacture steel wire rod and screw under category 2.15 manufacture of steel wire, round bar or steel billet and category 4.7 manufacture of metal wire or wire products. The effective period for the BOI privileges began only when revenue is first earned as of December 17, 1998. The major promotional privileges under the BOI certificate are as follows:

- i. Exemption from corporate income tax on income derived from the certified business for a period of eight (8) years commencing from the date when revenue is first earned (in TYCN's case, December 17, 1998) and reduction 50% of corporate income tax for the next five (5) years (in TYCN's case, expiring on 16 December 2011).
- ii. A tax deduction, for 10 years, of an amount equivalent to 5% of any increase in income derived from exports compared with the previous year (in TYCN's case, December 17, 1998).
- iii. Exemption from import duty and business tax on machinery imported for a period of two (2) years. The permit has to be renewed every year (in TYCN's case, this expired on March 23, 2003).

2) TYCN was granted the promotional privileges from the Board of Investment (BOI) under a promotion certificate issued on April 9, 2003 to manufacture annealed wire (>6mm) and bolt under category 4.7 manufacture of metal wire or wire products. The effective period for the BOI privileges began only when revenue is first earned as of August 9, 2005. The major promotional privileges under the BOI certificate are as follows:

- i. Exemption from corporate income tax on income derived from the certified business for a period of eight (8) years commencing from the date when revenue is first earned (in TYCN's case, August 9, 2005) and reduction 50% of corporate income tax for the next five (5) years (in TYCN's case, expiring on August 8, 2018).
- ii. A tax deduction, for 10 years, of an amount equivalent to 5% of any increase in income derived from exports compared with the previous year (in TYCN's case, August 9, 2005).

- iii. Exemption from import duty and business tax on machinery imported for a period of two (2) years. The permit has to be renewed every year (in TYCN's case, this expired on April 9, 2007).

3.2 Revenue structure

| Product | 2011 | | 2010 | | 2009 | |
|---------------------------|-----------------|------------|-----------------|------------|-----------------|------------|
| | MB | % | MB | % | MB | % |
| Domestic Sales | | | | | | |
| 1. Wire rod | 3,282.73 | 37.82 | 1,888.25 | 30.79 | 1,888.47 | 38.06 |
| 2. Annealed wire | 148.34 | 1.71 | 105.34 | 1.71 | 75.73 | 1.52 |
| 3. Screw | - | - | 0.46 | 0.01 | 0.10 | 0.00 |
| 4. Bolt | - | - | 0.02 | - | - | - |
| 5 Others | 126.29 | 1.45 | 98.14 | 1.60 | 82.24 | 1.66 |
| Total domestic Sales | 3,557.36 | 40.98 | 2,092.21 | 34.11 | 2,046.54 | 41.24 |
| International Sales | | | | | | |
| 1. Wire rod | 1,495.66 | 17.24 | 1,616.60 | 26.36 | 822.66 | 16.58 |
| 2. Annealed wire | 1,681.08 | 19.37 | 1,212.70 | 19.78 | 899.05 | 18.12 |
| 3. Screw | 779.20 | 8.96 | 620.84 | 10.12 | 635.72 | 12.81 |
| 4. Bolt | 1,109.48 | 12.78 | 550.70 | 8.98 | 142.87 | 2.88 |
| 5 Others | 58.10 | 0.67 | 39.83 | 0.65 | 415.18 | 8.37 |
| Total International Sales | 5,123.52 | 59.02 | 4,040.67 | 65.89 | 2,915.48 | 58.76 |
| Total Sale | 8,680.88 | 100 | 6,132.88 | 100 | 4,962.02 | 100 |

3.3 Marketing and competitions

3.3.1 Marketing

1. Domestic market

Wire rods: The majority of target customers are manufacturers who buy wire rods as the raw materials to produce the downstream-related products such as PC wire, PC strands, wire mesh, screws, nails, automobile parts, etc. TYCN plans on expanding its sales force in anticipation of the continued growth in wire rods.

TYCN is the largest screw manufacturer in Thailand and the Company believes that it is one of a few screw manufacturers in the world vertically integrated from production of wire rods to production of screws. TYCN is one of the leaders in the wire rod market. One factor supporting this position is the company's high product quality. Additionally, TYCN offers certain products that other competitors are not able to offer. Current, production of wire rod in Thailand is considered to be too low to meet demand. As a result, the wire rod market in Thailand is presently a net importer of wire rods.

TYCN is the leading supplier of wire rods to produce annealed wires in Thailand. With regard to screws, TYCN does not focus on the Thai market because of the small market size. Additionally, TYCN prefers not to compete with its own wire rod clients who are also the screw producers in the Thai market.

In all, the domestic sales accounted for 40.98% of the company's total sales in 2011 compared to 34.11 ~ 41.24% during the year 2009-2010.

2. International market

Similar to domestic market, wire rods and annealed wires are sold to manufacturers of different end user applications. Currently, TYCN's sales of products through TGE accounted for around 16.34% of total sales amount in 2011, and the others, the company expand to sell to Southeast Asian and India market. With respect to screws, the main customer is the USA market to where Taiwan is the largest exporter. TYCN's primarily market in US, Europe and Asia, accounting for 100% of total screws sales in 2011. With respect to bolts, the market primary in US and Europe in 2011.

For Wire Rod and Annealed Wire TYCN's most crucial client is TGE who purchases wire rods and annealed wires for its internal use. TGE also sells these two products to the other Taiwanese manufacturers since TGE has been in the market for years and has built up a broad customer base. TYCN also makes use of direct sale to other market, such as India, Southeast Asia.

With regard to screws and bolts TYCN emphasizes the US market as it is the most significant market. Screws and bolts imported from Taiwan are very well known and recognized by the US market.

In all, the international sales accounted for 59.02% total sales in 2011 compared to 58.76 ~ 65.98% during the years 2009-2010.

3.3.2 Competition

1. Local competition

For the wire rod industry in Thailand, most steel producers produce low carbon content wire rod for construction purpose, which is considered as low quality products compared with the majority of TYCN's. TYCN's principal product is high-end wire rod, or CHQ, and it also produces low alloy and high-carbon wire rods. Though other Thai steel producers are recovering and are active in the market, they tend to mainly focus on the low carbon content wire rods, which are more suitable for the construction industry, rather than the high-end, high carbon-content product. Furthermore, Thai producers also tend to use scrap metal to melt in the furnace as opposed to pig iron, which is typically used for higher quality billet.

TYCN is considered to be the only screw manufacturer in Thailand, and one of a few in the world, with upstream integration (producing wire rod as well). TYCN's four major products are wire rod as well as three downstream products: annealed wire, screws and bolts. The company's screw and bolt production capacity ranks highest amongst local peers. Nonetheless, the company has no policy to locally sell screw because of cannibalization incurred with others, who are the wire rod purchasers to produce the screw.

2. International competition

Since exports account for 59.02% of TYCN's total sales, TYCN's competitors include regional companies such as companies from Japan, Korea, China and Taiwan. For the sake of comparison, a discussion of competitors, broken down by product is as follows:

- 1) Wire rod and annealed wire: The products sold abroad are mostly high quality products. The main market includes Taiwan, in which TGE acts as an agent for the company (rather than TYCN selling directly), which facilitates brand recognition in Taiwan. TYCN's main competitors in this market are China Steel, Yieh Hsing, Quintain Steel, Feng Hsin Iron & Steel. Certain other importers, including Kobe Steel, Daido Steel, NKK Bars & Shapes and Nippon Steel from Japan, Poscol from Korea and Baoshan Iron, Shanhai Baostreet Group, Benxi Iron & Steel and Maanshan Iron & Steel from China, among others, are also competitors in this market. In terms of the intensity of competition, mostly price is quoted by China Steel, the largest state enterprise. As a result, other competitors composing local producers and importers focus on the quality-oriented product as well as the product designed to be well correspond to specific customers' need rather than the price war, which is advantageous to TYCN. Specifically, TYCN's wire rod can be described as the high-tensile wire rod, which suits for the production of fastener products. Moreover, long established network with Taiwanese company can help the TYCN's product easily penetrate the market accordingly.
- 2) Screws and bolts: The primary sales market for such screws and bolt is US and Europe, the largest consuming market of all, with moderately competitive environment. Taiwan accounts for a significant portion of sales of such screws and bolts to US and Europe in part due to their products reliability. TYCN can benefit from this relationship. TYCN's main competitors in sales to this market include companies from Taiwan, Japan, Korea and China.

4. Risk Factors

4.1 Risk relating to the uncertainty in price of product and raw material

Billet is the most important material of the Company's product, wire rod. Therefore, the price of billet and wire rod will significantly influence our revenue, cost of good sold and net income. The main sources of billet are Brazil, Russia, South Africa, Europe and China. Among these countries, China's policy and condition is consideration of the others. The suppliers in China often think over the market price and demanding so far as basis for production, rather than consider the matter of long term trend and to steady market price. As a result, price of material fluctuated massively. The price fluctuation of raw material will affect the cost of our company; on the other hand, the price of product also depends on market demand. How to disperse sources of material will seriously affect the cost and profit of the Company.

In order to reduce the risk of price variation of billet and wire rod, and then influence the sale, cost and profit of the Company, we could adjust the combination of products at any point to choose a highest profit of combination. With flexibility production could raise the ability of the Company to face risk of price variation. On top of that, the Company also keep good relationship with suppliers all over the world, with diversity sources the Company could have better condition of purchasing during the period of price volatile.

4.2 Risk relating to US. market

As highlighted by the fact that the export of screws to the US represented 4.76%, 4.98% and 1.02% of total sale in 2009, 2010 and 2011 respectively, (and represented 36.80 %, 47.88% and 11.12% of total sales of screws for the year 2009, 2010 and 2011), US market is therefore a very important market for screw sales. However, TYCN is exposed to the loss of such market, or decline in demand from US market. Nevertheless, US is the major market in the world, with a very high level of demand generally, and most of the screws imported by US are imported from Taiwanese-affiliate companies (of which TYCN is one of the top companies). US market has a long business history Taiwanese screw and fastener products which the company believes further mitigates this risk of reliance on US market and the company also expand to Russia, Canada and Uzbekistan market.

4.3 Risk incurred from the new entry of the competitors

Despite the Company has vertical integrate production line with ability to reduce high quality wire rod, the capacity of wire rod is also No. 3 in Thai market, but it does not ensure the Company will keep the competitiveness at present. The Company feel that except for potential new entry, the real competitors are the steel producers from non-AFTA countries like Korea, Japan and China, rather than local producers in Thailand. Moreover, these producers have plants in Thailand gradually and enjoy tariff privileges. In spite of these steel producers have established plants in AFTA countries, however, if they want to build an vertical integrate production line from middle to down stream like TYCN, they need to put a great deal of capital. Besides, the Company will keep increasing competitiveness ourselves by strengthen research development ability and quality control.

4.4 Foreign Exchange Risk

The demanding of raw material of the Company as well as other steel producers, raw material has to be imported and paid by US dollars. Recently the economical policy of America and material arbitrage make US dollars volatile, therefore, the Company have to face the risk of foreign exchange. Due to our Company 's market is all over the world, export sales account for over 60% of total sales of the Company, moreover, 95% of export sales are quoted by US dollars. Therefore, most parts of foreign assets exchange risks could be counteracted with foreign liabilities, and this is so-called natural hedge. Meanwhile, the company also makes derivative transaction by signing forward exchange contracts with bank in order to adjust the net exposure position risks.

4.5 Risk of high proportion of the sales transaction through the majority shareholder TGE

Currently, TYCN's largest customer for sales of merchandise, including wire rod and annealed wire, is Tycoons Group Enterprise (TGE), TYCN's indirect majority shareholder via Tycoons Group International Co., Ltd.(TGI), (TGE holds a stake of up to 100% in TGI and TYCN is a 69.53% owned subsidiary of TGI). TYCN's sales to TGE accounted for 16.34% of TYCN's total sales in 2011. If TGE does not continue to purchase merchandise from TYCN or reduces the quantity of goods that it purchases from TYCN, this could affect TYCN. However, because TYCN was established specifically to serve as a production base for TGE, the company believes that it is unlikely that TGE will significantly reduce its purchase volume from TYCN. The company also believes that the historical business relationship between the two companies as well the fact that TGE has also acted as agent for TYCN in Taiwan somewhat reduces this risk. Furthermore, TYCN believes that selling through TGE creates mutual marketing benefits for both companies. TYCN does have the flexibility

to seek other markets for its products or sell directly to Taiwan, depending on which is most beneficial to it. Therefore, the business relationship between TGE and TYCN will be able to maintain mutually beneficial way.

5. Shareholders and Management

5.1 Shareholders

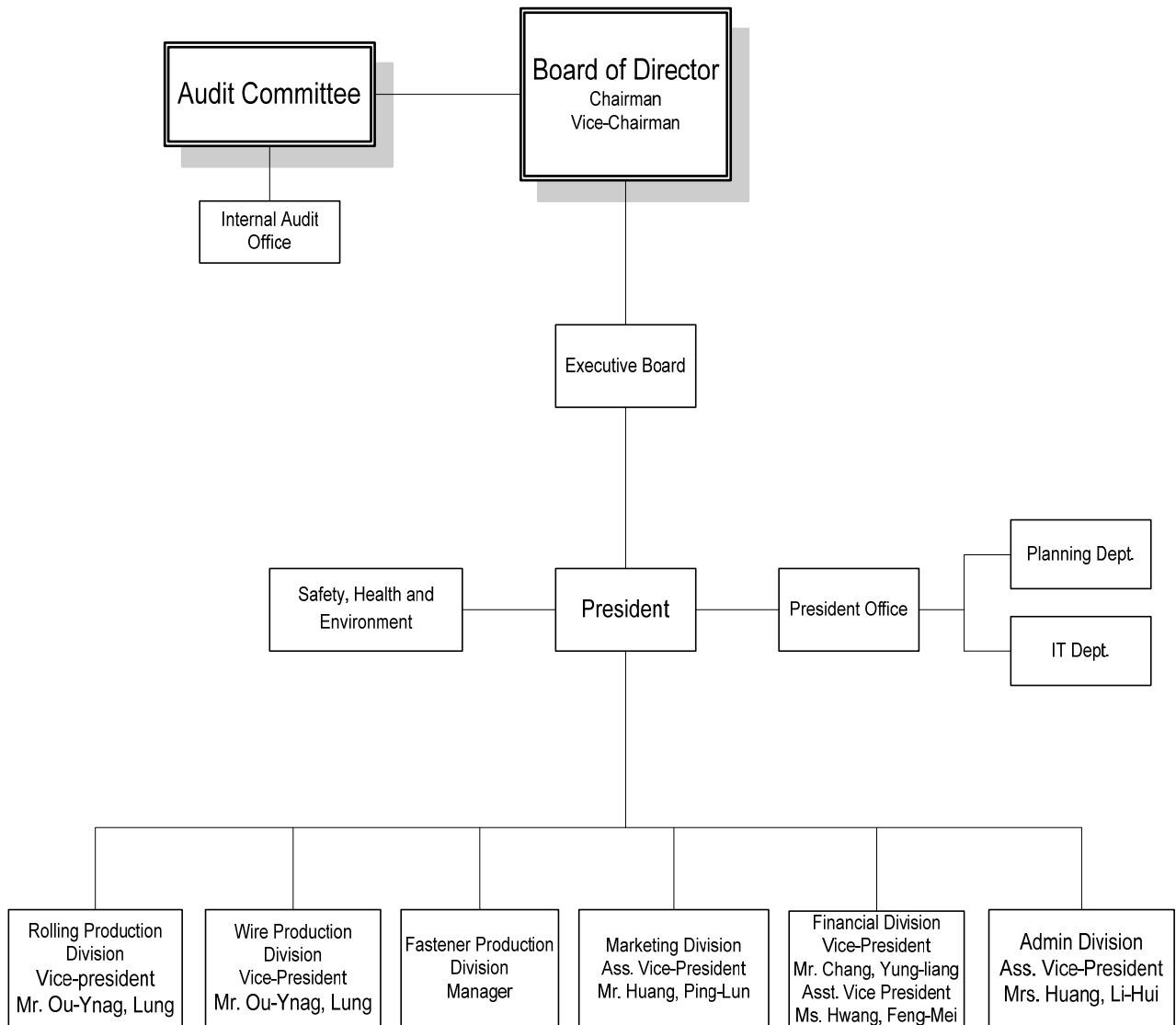
Names of the ten largest shareholders of the company on July 28, 2011

| Name | Number of shares (shares) | Percentage (%) |
|---|------------------------------|----------------|
| 1. Tycoons Group International Company Limited | 359,588,592 | 59.59 |
| 2. Citibank Nominees Singapore PTE LED-FIRST Commercial bank- TDR | 120,000,000 | 19.88 |
| 3. Chase Nominees Limited 42 | 55,036,100 | 9.12 |
| 4. Tsai Yin | 7,438,100 | 1.23 |
| 5. บริษัท ไทยเอ็นวีดีอาร์ จำกัด | 6,739,560 | 1.12 |
| 6. Miss Yao, Chin-Shiang | 4,405,000 | 0.73 |
| 7. นายสม ปรียวัต | 2,200,000 | 0.36 |
| 8. นายสันติ ปัญญาวุฒิไกล | 1,834,500 | 0.30 |
| 9. นายณรงค์ศักดิ์ หอวีเชียร | 1,351,700 | 0.22 |
| 10. นายชัยวัฒน์ เตียมพานิช | 1,245,500 | 0.21 |
| 11. Others | 43,664,848 | 7.24 |
| Total | 603,503,900 | 100 |

Investor can check update information of shareholders from the company's website before annual general meeting.

5.2 Management

5.2.1 Management structure



1.) CV of Executive and Management team 2011

Director and Management team

| Name – Surname Position | Age (Year) | Educational Background/ Training Background | Shareholding structure (%) | Relation among family within the Company | Period | Working Experience | |
|--|---------------|---|-------------------------------|--|----------------|--|--|
| | | | | | | Position & Working office | |
| 1. Mr. Huang, Wen-Sung Chairman / Director | 57 | Business Professional High School | - | - | 2003 – Current | Chairman / Tycoons Group enterprise Co., Ltd. | |
| | | | | | 2003 – Current | Chairman / Tycoons Group International Co., Ltd. | |
| | | | | | 2003 – Current | Chairman / Tycoons Worldwide Group (Thailand) Plc | |
| | | | | | 2005 - Current | Director / Baw Heng Steel (Vietnam) Co., Ltd. | |
| | | | | | 2008 – Current | Director / ALL Manage International Limited | |
| 2. Ms. Lu, Yen-Chuan Director / Vice Chairman | 58 | Electrical Calculation Dept., Ming-Juan Commercial Junior College Director's Accreditation Program (DAP) Class 57/2006 Thai Institute Of Directors (IOD) | - | - | 2011 - Current | Director / TY Steel Co., Ltd. | |
| | | | | | 2003 – Current | Director / Tycoons Group Enterprise Co., Ltd. | |
| | | | | | 2009 – Current | Director, Vice Chairman / | |
| | | | | | 2006 – 2009 | Director, President / | |
| | | | | | 2003 – 2006 | Director, Executive Vice President /Tycoons Worldwide Group (Thailand) Plc. | |
| 3. Mr. Ou Yang, Lung * Director/ Vice President | 57 | Machine Engineering Dept. Feng-Cha University | 0.02 | - | 2005 – Current | Director / Baw Heng Steel (Vietnam) Co., Ltd | |
| | | | | | 2003 – 2006 | Assistant Vice President / Tycoons Worldwide Group (Thailand) Plc | |
| | | | | | 2007 – Current | Vice President / Tycoons Worldwide Group (Thailand) Plc. | |
| 4. Mr. Huang, Ping-Lun Director / Assistant Vice President | 32 | Business Management Seattle University Director's Accreditation Program (DAP) Class 57/2006 Thai Institute Of Directors (IOD) | 0.02 | Son of Mr. Huang Wen-Sung | 2010 – Current | Director, Assistant Vice President | |
| | | | | | 2006 – Current | Director, Senior Sale Manager / Tycoons Worldwide Group (Thailand) Plc. | |
| | | | | | 2011 - Current | Director / TY Steel Co., Ltd. | |
| 5. Mr. Surabhorn Kwunthaiyanya Independent Director / Chairman of Audit Committee | 62 | MBA, University of Washington BS. In Industrial Engineering, University of Washington Director's Certification Program (DCP) Class 47/2004, Thai Institute Of Directors (IOD) | - | - | 2010 - Current | Governor / The Stock Exchange of Thailand | |
| | | | | | 2006 – Current | Vice Chief Executive Officer / Country Group Securities Plc. | |
| | | | | | 2003 – Current | Independent Director , Chairman of Audit Committee / Tycoons Worldwide Group (Thailand) Plc. | |

| Name – Surname Position | Age (Year) | Educational Background/ Training Background | Shareholding structure (%) | Relation among family within the Company | Working Experience | |
|---|---------------|---|-------------------------------|--|--|--|
| | | | | | Period | Position & Working office |
| 6. Mr. Jirawat Huang Independent Director / Audit Committee | 57 | Chin Yun Industry College (Taiwan) Director's Accreditation Program (DAP) Class 47/2004 Thai Institute Of Directors (IOD) | - | - | 2003 – Current 2003 – Current | Manager Director / Lee Chemical Products Co.,Ltd. Independent Director , Audit Committee / Tycoons Worldwide Group (Thailand) Plc. |
| 7. Mr. Phiphat Wangphichit Independent Director / Audit Committee | 75 | Agriculture Pintong agriculture Collage (Taiwan) Director's Accreditation Program (DAP) Class 47/2004, which was organized by Thai Institute Of Directors (IOD) | - | - | 2003 – Current 2003 – Current 2003 – Current 2003 – Current | Managing Director / United Industrial Gas Co.,Ltd Managing Director / Canking Engineering (Thailand)Co., Ltd Managing Director / Chachoengsao Oxygen Co.,Ltd Independent Director , Audit Committee / Tycoons Worldwide Group (Thailand) Plc. |
| 8. Mr. Chang, Yung-Liang Asst. Vice President | 51 | Financial Master Credit Course. National Taiwan University | - | - | 2004 – 2010 2011- Current | Asst. Vice President of Financial Division Tycoons Worldwide Group (Thailand) Plc. Vice President of Financial Division Tycoons Worldwide Group (Thailand) Plc |
| 9. Ms. Hwang, Feng- Mei Asst. Vice President | 47 | National Central University Business Administration Dept. | - | - | 2000 – 2010 2011- Current | Senior manager of Financial Division in Tycoons Worldwide Group (Thailand) Plc. Asst. Vice President of Financial Division in Tycoons Worldwide Group (Thailand) Plc |
| 10. Ms. Huang, Li- Hui Asst. Vice President | 53 | National Central University Business Administration Dept | 0.1 | - | 2001 – 2010 2011- Current | Senior manager of IT Dept. Tycoons Worldwide Group (Thailand) Plc Assistant Vice President of Admin Division in Tycoons Worldwide Group (Thailand) Plc |

* Mr. Tseng, Der-Jen resigned director position effective from 9 February 2011 onwards.

* Mr. Ou yang, lung as the new director, instead of Mr. Tseng, Der-Jen to serve the remaining director position term and will be effective from 17 February 2011.

2) The management structure of the company is composed of the Board of Directors, Audit committee and management team, detail of which are as follows:

1. The Board of Directors as at Dec 31,2011

| No. | Name-Last Name | Position |
|-----|----------------------------|--|
| 1 | Mr.Huang, Wen-Sung | Chairman of Board |
| 2 | Ms.Lu, Yen-Chuan | Vice Chairman of Board |
| 3 | Mr.Tseng, Der-Jen * | Director |
| 4 | Mr.Yang, Po-Lung ** | Director |
| 5 | Mr.Huang Ping-Lun | Director |
| 6 | Mr. Ouyang Lung | Director |
| 7 | Mr.Surabhon Kwunchaithunya | Independent director and Chairman of the Audit Committee |
| 8 | Mr.Jirawat Huang | Independent director and Audit Committee |
| 9 | Mr.Phiphat Wangphichit | Independent director and Audit Committee |

* Mr. Tseng, Der-Jen resigned director position effective from 9 February 2011 onwards.

** Mr. Yang Po- Lung resigned director position effective from 7 November 2011 onwards

1) The qualification of all Independent Director Members is well qualified in compliance within accordance with SEC and SET given that at least a member has ones accounting or finance background is Mr. Surabhon Kwunchaithunya.

2) All Independent Director Members have no relationships (e.g., parents, spouses, children, uncles and aunts) between the candidates and the management or majority shareholders of company or its affiliates.

3) All Independent Director members have no relationships with Company/ parent company/ affiliated and associated companies or juristic persons with potential conflicts of interest at present and during the past two years, as follows:

- Executive directors, staff, employees or advisers who earn salaries from Company.
- Professional service provider.
- Material business relation ships with Company that may affect their independence.

2. Directors authorized to sign on behalf of the company

The authorized directors who may sign to bind the company are two of Mr.Hung, Wen-Sung, Ms.Lu, Yen-Chuan, Mr.Ouyang, Lung and Mr. Huang Ping-Lun must jointly sign, together with the affixation of the official company stamp.

Name of the Company's Secretary: Mr.Huang Ping-Lun

3. The Audit Committee as at Dec 31,2011

| No. | Name-Last Name | Position |
|-----|----------------------------|---------------------------------|
| 1 | Mr.Surabhon Kwunchaithunya | Chairman of the Audit committee |
| 2 | Mr.Jirawat Huang | Audit Committee |
| 3 | Mr.Phiphat Wangphichit | Audit Committee |

Name of secretary of audit committee is Mr. Chen, Hsin-Yuan

4. The Executive Board as at Dec 31 , 2011

| No. | Name-Last Name | Position |
|-----|---------------------|------------------------|
| 1 | Mr.Huang, Wen-Sung | Chairman of Board |
| 2 | Ms.Lu, Yen-Chuan | Vice Chairman of Board |
| 3 | Mr.Ouyang, Lung | Director |
| 4 | Mr. Huang, Ping-Lun | Director |

5. Names of the Management team on as at Dec 31, 2011

| No. | Name-Last Name | Position |
|-----|----------------------|------------------------|
| 1 | Mr.Huang, Wen-Sung | Chairman and President |
| 2 | Ms.Lu, Yen-Chuan | Vice Chairman |
| 3 | Mr.Ouyang, Lung * | Vice President |
| 4 | Mr.Chang, Yung-Liang | Vice President |
| 5 | Mr. Huang, Ping-Lun | Asst. Vice President |
| 6 | Ms. Hwang, Feng-Mei | Asst. Vice President |
| 7 | Ms. Huang, Li- Hui | Asst. Vice President |

* Mr. Ouyang, Lung as the new director, instead of Mr. Tseng, Der-Jen to serve the remaining director position term and will be effective from 17 February 2011.

6. Attendance of the Board of DirectorsDetail of the Attendance and service of the Board of Director

| Name | Number of attendances / Total of meeting | | Number of years the directors have served |
|-------------------------------|---|------|--|
| | 2011 | 2010 | 2011 (years) |
| 1. Mr.Huang, Wen-Sung | 7/8 | 4/6 | 8.5 |
| 2. Ms.Lu, Yen-Chuan | 5/8 | 6/6 | 8.5 |
| 3. Mr.Tseng, Der-Jen | 0/8 | 6/6 | 7.5 |
| 4. Mr.Yang, Po-Lung | 6/8 | 6/6 | 8.4 |
| 5. Mr.Huang, Ping-Lun | 6/8 | 6/6 | 5.5 |
| 6 Mr. Ouyang, Lun | 7/8 | 0 | 1 |
| 7. Mr.Surabhon Kwunchaithunya | 7/8 | 6/6 | 8.5 |
| 8. Mr.Jirawat Huang | 7/8 | 5/6 | 8.5 |
| 9. Mr.Phiphat Wangphichit | 7/8 | 4/6 | 8.5 |

The scope of work and responsibilities of the Board of Directors, Audit Committee and Managing Director in accordance with Public Limited Company Act are as follows:

The Board of Directors

1. To perform duty in the most professional manner to comply with all laws, company's objectives, article of association and shareholder's resolution as well as to preserve company's benefit and interests.
2. To determine the company's direction and control all business operations in accordance with the related government entity's rules and regulations. Assuring the disclosure of information to shareholders and related entity as well as perform transparency management to achieve company optimal benefit.
3. To ensure that business is operated efficiently and in compliance with all regulatory bodies such as the Stock Exchange of Thailand (SET) and the Securities and Exchange Commission (SEC).
4. To ensure that the company has effective internal control system and internal audit unit that work closely with the audit committee.
5. The Board of Directors may establish an executive board and a management team or delegate control to other persons to manage the company under the Board of Directors' supervision. The Delegation must be accompanied by responsibilities and limitation of the control and must not be delegated to the persons who would lead to conflicting issues with the company and its subsidiaries.
6. To have the intension to run the business continuously and conduct themselves with honesty and integrity and are interested in the business, in which they hold a directorship.
7. To be consistently responsive to the shareholders and protect their interests as well as providing to them fair, complete and transparent disclosures.
8. Consider the approval of business plan, annual budget together with the sale/acquisition of the asset, which exceeds 50 MB, joint venture in expanding its business and approval of any other loan besides the working capital loan, which is solely authorized by the Executive Board.

All aforementioned responsibilities can be enforced and approved by the Board of Director except the following agendas, which is required to obtain the shareholders' approval.

- 1) In compliance with the law, requiring obtaining the resolution of shareholder meeting such as transfer or disposal of entity, the paid-up increase, merger etc;
- 2) Connected transaction stated by the SET regulation;
 Apart from the resolution of shareholder meeting, a vote of not less than three quarters of the total number of votes of shareholders who attend the meeting and have the right to vote in the following events:
 - 3) The sale or transfer of the whole or important parts of the business of the company to other persons;
 - 4) The purchase or acceptance of transfer of the business of other companies or private companies by the company;
 - 5) The making, amending or terminating of contracts with respect to the granting of a lease of the whole or important parts of the business of the company, the assignment of the management of the business of the company to any other

persons or the amalgamation of the business with other persons with the purpose of profit and loss sharing;

- 6) The amending of the article of association and memorandum of association;
- 7) The increase and reduction in company capital;
- 8) The merger or termination of the company;

Any other relevant issue stipulated by law.

The Audit Committee

The audit committee of the company has the scope of duties and responsibilities to the Board of Director on the following matters:

1. To review the Company's financial process to ensure that it is accurate and adequate
2. To review the Company's internal control system and internal audit system to ensure that they are suitable and efficient, to determine an internal audit unit's independence, as well as to approve the appointment, transfer and dismissal of the chief of an internal audit unit or any other unit in charge of an internal audit
3. To review the Company's compliance with the law on securities and exchange, the Exchange's regulations, and the laws relating to the Company's business
4. To consider, select and nominate an independent person to be the Company's auditor, and to propose such person's remuneration, as well as to attend a non-management meeting with an auditor at least once a year
5. To review the Connected Transactions, or the transactions that may lead to conflicts of interests, to ensure that they are in compliance with the laws and the Exchange's regulations, and are reasonable and for the highest benefit of the Company
6. To prepare, and to disclose in the Company's annual report, an audit committee's report which must be signed by the audit committee's chairman and consist of at least the following information
 - (1) an opinion on the accuracy, completeness and creditability of the Company's financial report,
 - (2) an opinion on the adequacy of the Company's internal control system,
 - (3) an opinion on the compliance with the law on securities and exchange, the Exchange's regulations, or the laws relating to the Company's business,
 - (4) an opinion on the suitability of an auditor,
 - (5) an opinion on the transactions that may lead to conflicts of interests,
 - (6) the number of the audit committee meetings, and the attendance of such meetings by each committee member,
 - (7) an opinion or overview comment received by the audit committee from its performance of duties in accordance with the charter, and
 - (8) other transactions which, according to the audit committee's opinion, should be known to the shareholders and general investors, subject to the scope of duties and responsibilities assigned by the Company's board of directors; and

7. To perform any other act as assigned by the Company's board of directors, with the approval of the audit committee.

The Executive Board

1. Prescribe the policy, direction, strategy and structure of major management work for business operation of the company to respond and support the economic situation and competition as prescribed and declared to the shareholders and propose for approval of the Board of Directors.
2. Prescribe business plan, budget and management power of the company and propose for approval of the Board of Directors.
3. Inspect; follow up the policy and management guidelines in several aspects whether it is efficiently exercised to benefit the business operation of the company.
4. Inspect, follow up the result of business operation whether it is in accordance with the approved business plan.
5. Preliminary Consider the large investment project of the company below 50 MB, if beyond, it will be forwarded to the Board of Directors.
6. Perform other duties as being assigned by the Board of Directors from time to time.
7. In case of such matter is already prescribed in the business plan or budget duly approved by the Board of Directors, the Executive Board shall be entitled to take any action with unlimited amount.
8. In any matter other than those specified in clause 7, the Executive Board is empowered to approve items of which such approval shall include working capital loan, otherwise any other loan will be forwarded to Board of Directors.
9. Approval on opening an account with any financial institution

The Managing Director

At the Board of Directors' Meeting held on 8 August 2003, the Managing Director's role and responsibilities shall be assigned by the Board of Directors as follows:

1. To be a chairman of all managers.
2. To approve all operation plan of every department.
3. To manage and run the business under the normal practices of the company. Any significant matters including ad hoc adversely affecting on the company's reputation and financial status regarding the company's business, the managing director will request Board of Directors for their approval.
4. Follow up the operation to conform the plan and assigned policy.
5. To approve any request from every department which over power of them.
6. To preliminarily consider and propose investing plan or new business together with the sale/acquisition of the asset over 50 million before submitting to the Board for approval through Executive Board
7. To propose the annual expense budget to be forwarded to the Board of Director.

8. To consider merit, appointing, transferring, punishment, discharging or recruiting managers.
9. To run the business following the policies directed by the Board of Directors.
10. To carry out the duties in good faith and with care to preserve the interests of the company.
11. The power to authorize for the above mention except the approval of connecting transaction as per definition of the office of the Securities and exchange Commission (SEC)
12. To decide on and authorize any borrowings or lending transaction, soliciting of facilities from financial institution, guarantee on behalf of any parties, the managing director shall propose such aforementioned items above to Executive Boards and/or Board of Directors to obtain the approval. The working capital loan, however with any financial institutions shall be forwarded to Executive Boards exclusively.

5.2.2 Election of the Directors and the Management

Selection of persons to be appointed as directors of the company does not involve the process of nominating committee whatsoever. Nevertheless, the company has laid down guidelines on the appointment of board of directors as follows:

1. Board of directors shall carry out its duties according to the laws, the objectives and the Articles of Association of the company, including the resolutions of the meetings of shareholders.
2. At every general shareholder's meeting, one-third of the directors shall vacate their office. In case the number of outgoing directors cannot be divisible by three, the number closet to one-third shall be applied.
3. The directors who resign at the first and second year, respectively, will be decided by draw. Thereafter, the directors required to resign will be those that have served the longest, but after resignation will be able to be re-appointed the following year.
4. The general shareholder's meeting may pass a resolution that any director be vacated from office before completing his term, which resolution must be passed by votes of not less than three-fourths of the number of shareholders with the right to vote and attending the meeting and whose shares altogether constitute not less than one-half of the number of shares held by shareholders attending the meeting and have the right to vote.
5. One shareholder is entitled to one vote per share.
6. Each shareholder must use all of his votes under (5) to vote for the election of one to be directors. Shareholders must cast all of their votes for one nominee, and may not divide their votes.
7. The candidates obtaining the highest numbers of votes shall be appointed directors, until all vacancies are filled. Should be a tie vote, the chairman of the Board of Directors will make the determination.

5.2.3 Remuneration and Benefits for Management

Remuneration

1) Cash Remuneration

Director's remuneration at Dec 31, 2010 - 2011 as follow.

| Type of remuneration | Director's remuneration persons (Baht) | | Executives' remuneration persons (Baht) | |
|----------------------|--|------------------|---|-------------------|
| | 2011(7) | 2010(8) | 2011(7) | 2010(8) |
| Salary | 1,180,000 | 1,200,000 | 11,444,344 | 12,393,629 |
| Bonus | 3,843,499 | - | | 40,000 |
| Premium | - | - | - | - |
| Profit-sharing | - | - | - | - |
| Other welfare | - | - | - | - |
| Total | 5,023,499 | 1,200,000 | 11,444,344 | 12,433,629 |

Director's remuneration (Salary& Bonus) in year 2010 and 2011 as follow:

The directors' remuneration of the Company has not been approved by Remuneration Committee due to the Company didn't set the Remuneration Committee up. However, the directors' remuneration has already been compared to other similar industries and taken account of other issues such as business expansion and growing up of profit. Eventually, it is approved by Board of directors with careful consideration and approved by shareholders through shareholders 'meeting.

| Name | Position | Salary& Bonus | |
|------------------------------|--|------------------|------------------|
| | | 2011 | 2010 |
| 1. Mr.Huang, Wen-Sung | Chairman of Board | 2,142,722 | 240,000 |
| 2. Ms.Lu, Yen-Chuan | Vice Chairman of Board | 1,337,742 | 120,000 |
| 3. Mr.Tseng, Der-Jen | Director | 20,000 | 120,000 |
| 4. Mr.Yang, Po-Lung | Director | 328,326 | 120,000 |
| 5. Mr.Huang, Ping-Lun | Director | 348,326 | 120,000 |
| 6. Mr. Ouyang, Lung | Director | 100,000 | - |
| 7.Mr.Surabhon Kwunchaithunya | Independent director and Chairman of the Audit Committee | 354,165 | 240,000 |
| 8. Mr.Jirawat Huang | Independent director and Audit Committee | 196,109 | 120,000 |
| 9. Mr.Phiphat Wangphichit | Independent director and Audit Committee | 196,109 | 120,000 |
| Total | | 5,023,499 | 1,200,000 |

2) Other remunerations

-None-

5.2.4 Supervision (Good Corporate Governance)

1. Rights of Shareholders

The Company values the right of shareholders by convening the shareholders meeting annually as requested by the law. For year 2011, The Company has held the meeting on April 21, and 8 directors attended the meeting.

The Company has assigned Thailand Securities Depository Company Limited (TSD), the registrar of The Company security, to distribute all the meeting notice to all shareholders 14 days prior to the meeting.

The Company has allowed the shareholders to authorize representatives to attend the shareholders' meeting on their behalf, and if the shareholders can not find one, The Company also proposes an independent director to take the task.

The Company encouraged the shareholders to express their opinions and ask questions during the 2011 annual shareholders' meeting, in which the directors are responsible for answering the questions. For this particular meeting The Company allow the shareholders to propose the agenda of the meeting on December 21, 2010 to January 21, 2011.

The Company has posted the meeting invitation on the website, www.tycons.com, 30 days prior to 2011 annual shareholders' meeting and posted the minutes of meeting 3 days after the meeting.

2. Equitable Treatment of Shareholders

The Company keeps updating its status quarterly through SET website in time as requested.

The policy to allow the shareholders to propose the director candidate prior to the meeting on December 21, 2010 to January 21, 2011.

The Board of Directors does not allow directors, managements and related parties of employees to trade The Company's securities one month prior to the announcement of the company financial statement. In 2011, the given parties have strictly complied with the policy.

The Board of Directors has required its members to disclose any of their information related to the related parties and conflict of interest to the board, so that, for the best of the company's benefit, the board can consider company business activity and take a prompt action that might be affected by that information. In 2011, there was no any of information related to the related parties and conflict of interest to the board.

3. Treatment of Stakeholders

The Company ensures that all stakeholders including employee, customers, competitors, government officers, directors, and managements are treated fairly. For instance, in comply with the contract, the company will provide the good quality product, after sale service, treat customer information with complete confidentiality, and moreover, compete fairly in the market.

In 2011, the independent directors did not receive any report concerning problem with the law, the accuracy of the financial statement, internal control system, or ethic.

4. Disclosure and Transparency

The Board of Directors discloses the financial information, business activities, and other business performance accurately, completely, efficiently, and timely that reflects the actual financial status, complies with the Generally Accepted Accounting Principles(GAAP), and is audited by independent auditor. In addition, the audit committee which is composed of independent directors with no involvement with the company management will also help review the give information.

The Company places the timely and accurately disclosure of financial and other information that may affect the share price at priority through SET website. Moreover, the company has also established Investor Relations Office. For investors and those who are interested in obtaining the company's information, they may contact Investor Relation Officer at Tel: 038-636-800-20 or fax: 038-636-822 or iro@tycons.com.

In 2011, IR officer has provided information to parties such as shareholders and analysts in many occasions such as quarterly performance and invest projects.

Director's remuneration; The Board of Directors has disclosed clearly the directors' remuneration policies which is in response to the contributions and responsibilities of each directors and the remuneration is approved by shareholders through shareholders' meeting.

Managements' remuneration: The Board of Directors has developed the management remuneration policy that is fair and attractive enough for qualified people to take the position and perform at high standard.

5. Responsibilities of the Board

The Board of Directors has played a role in setting the company's goal, task, and budget, and moreover oversaw the company operation according to its goal. The Board of Directors has also made comments on the internal control/audit system to manage the risk and maximize the company's profitability.

Risk Management

The Board of Directors has adopted a risk management system for all material and controllable risk and included the reporting and evaluating system in response the current situation. In 2011, the Board of Directors has considered political and economic risk, which now does not affect the company directly. As for exchange rate, the company has employed forward contract to minimize the risk. All managements are responsible for risk management. In assessing the risk, the chance of occurring and the impact it might create was examined, then prevention measures was proposed. The Company has monitored any possible risks of all departments and then reported to the committee, so that the committee could report to the Board of Directors in time. The company regularly trained the employee and rehearsed its plan such as Emergency Response Plan.

Code of Ethics

The Board of Directors established the policy that encourage all employees to behave honesty and properly and accountable to stakeholders, and shareholders at all time. This will, in turn, become the organization culture that values social responsible.

Independence and Impartiality of Directors

The Board of Directors has performed its duty and exercised its discretion independently from the managements and major shareholders. Each director has the duty and is independence to ask questions, express opinions, make objection or vote as he/she sees fit in relation to all matters affecting the interests of the company, shareholders or stakeholders.

Qualifications of Directors

The Board of Directors consisted of various qualities including age, profession, and knowledge which are beneficial for the company operation and can bring about fresh perspective. Directors had adequate time to perform their duties to the fullest extent with high ethical standard.

Qualifications of Independent Directors

The Board of Directors has set the qualifications of independent directors according to the Stock Exchange of Thailand's requirements. In 2011, Mr. Surabhon Kwunchaithunya, a highly experience person in accounting and financial field, was elected as independent director whose qualification is in line with the requirement.

Composition of the Board of Directors

The Board of Directs has determined the number of the directors in the board according to the size of the company. The board now consists of five executive directors and three independent directors totaled up eight directors. In that, independent directors account for one third of the members.

The Chairman of the Board / the Managing Director

The Board of Directors determined that the MD and the Chairman of the Board are different individuals, and their authorities and duties are clearly separated to ensure balance between management and corporate governance. On August 11, 2009 the company President Ms. Lu, Yen-Chuan resigned from President duty and for the necessity of business affair, the company's chairman of the board Mr. Huang, Wen-Sung to hold an concurrent post as the president.

Terms of Directorship

The term of directorship is three years. Each year, one third of the directors will complete their terms. In 2010, the followings directors retire by rotation and re-elect to return to the office.

1. Ms. Lu, Yen- Chuan Vice Chairman
3. Mr. Phiphat Wangphichit Independent Director(Audit Committee)

Board of Directors' Meeting

The Board of Directors sets the meeting schedule of entire year in advance. The meeting is usually convened quarterly unless irregular meeting is needed. The chairman or designated director ensures that all directors receive all relevant documents prior to the meeting so that they have sufficient time to study all the issues before attending the meeting or casting their votes. The given documents must be clear, analytical and sufficient of recommendation.

There were 8 times meetings held in 2011. Please see the attendance record of directors.

| Name | Position | Time of Attendance |
|--------------------------------|----------------------|--------------------|
| 1. Mr. Huang, Wen-Sung | Chairman of Board | 7/8 |
| 2. Ms. Lu, Yen-Chuan | Director | 5/8 |
| 3. Mr. Ouyang, Lung | Director | 7/8 |
| 4. Mr. Yang, Po-Lung | Director | 6/8 |
| 5. Mr. Huang, Ping-Lun | Director | 6/8 |
| 6. Mr. Surabhon Kwanchaithunya | Independent Director | 7/8 |
| 7. Mr. Jirawat Huang | Independent Director | 7/8 |
| 8. Mr. Phiphat Wangphichit | Independent Director | 7/8 |

Scope and Responsibility of the Board

The Board of Directors has set a clear scope of responsibility of the board of directors, which is followed strictly by the board. In 2010, the board has resolved to approve the reserve fund to compensate for the accumulated losses of the company.

Internal Control/Audit System

The company has developed the internal control system to monitor and audit the area including finance and operation to ensure that they comply with the law and regulations. It would provide the balancing mechanism for the company to protect the shareholders' investment and the company asset. The company established internal auditing unit to audit and ensure that all departments are operated in accordance with the regulations, and moreover to assess the efficiency of the auditing work. The board of directors ensured that the internal auditing unit is independent and can serve as balancing mechanism. In 2011, the internal auditor has presented the report on the efficiency of the control system to the board of audit committee and board of directors for review.

5.2.5 Supervision of Internal Information

- 1) The company has a policy on supervision of usage of internal information by its executives and staff for their own benefits. The executives and staff who have come across internal information shall not buy or sell the securities of the Company within the period of 1 month before the company announces its results of operations (financial statements)
- 2) The significant information that may affect the prices of the securities. In regard to financial statements, the Company announces its results of operations within 45 days from the end of a quarter and 60 days after the end of the accounting period.
- 3) The Company sets the rules that the executives are obliged to prepare and submit, to the Office of Securities and Exchange Commission, the reports on the holding of shares by them, and by their spouses and underage children, in the listed companies they are the executives according to the Securities and Exchange Act B.E. 235 Section 59 and pursuant to Section 275 stipulated that Any directors, manager, person who holds management position or auditor who contravenes or fails to comply with Section 59 shall be liable to a fine not exceeding five hundred thousand bath and a further fine not exceeding ten thousand bath for every day during which the contravention continues.

5.2.6 Internal controls

At the company's Board of Director meeting No.2/2012 on February 27, 2012, which was attended by the three independent directors and the audit committee members, the board review the opinion of board of the audit committee and evaluated the internal controls of the company by asking certain information of management. The board reviewed the company's internal controls in five key areas:

- (1) Organization and environment;
- (2) Risk management;
- (3) Management control;
- (4) Information technology and communication measures; and
- (5) Follow-up systems.

After such review, the board members were of the opinion that the company had adequate controls in place. The company has policies in place to regulate business transactions with major shareholders, directors and executive management so as to avoid conflicts of interest and to preserve its best interests. Further, the audit committee was of the opinion that the internal control system regarding connected transactions with interested parties (i.e. majority shareholders, directors, management and related persons aforementioned) is sufficient, which opinion was approved by the Board of Directors

The report of the audit committee of year 2011 as follows:

The audit committee jointly reviewed the 2011 annual consolidated financial statements with the certified public accountant for presentation to the board of directors for acknowledgement; discussed with relevant parties at meetings; reviewed compliance to the provisions and laws; and deliberated on information disclosure of related items in conformity with provisions of the Securities Exchange of Thailand.

The audit committee reviewed the respective financial statements and has an opinion that the company prepared financial statements in accordance with generally accepted accounting standards; adequately disclosed information; maintained regulating and supervisory system; internal audit and risk management system is satisfactory with no significant discrepancies are observed.

5.3 Dividend payment policies

- a. The dividend payment policy of the company is that dividends will be paid at a rate of no less than 40 percent of the company's net profit after corporate income tax each year. However, many factors must be taken into consideration before deciding to pay a dividend, including operation results and financial status, the company's liquidity, business expansion and other factors related to management of the company. In order to pay dividend, such payment must be agreed at a shareholders meeting with consent of the company's board of directors.

If there is any profit after the final accounts of such financial year, the company may allocate the profits in the following orders, provided that the company shall first apply such profits to pay off its tax payment then compensate for its accumulated losses:

- (1) Set five percent of the remaining profits as reserve fund.
 - (2) Upon properly reserving the fund for reserve fund, set one percent of the remainder of the profits as directors' bonus.
 - (3) Upon properly reserving the fund for reserve fund, the employees' bonus shall be set in the range between two to five percent of the remainder of the profits.
 - (4) After the funds for items 1 to 3 are properly reserved, at least forty percent of the remainder of the profits plus the accumulated and undivided profits of previous year shall be set as dividends (deducting the distributed interim dividends). The dividends to be distributed in the form of cash shall not be less than fifty percent of the distributable dividends. No distribution shall be allowed if divided per share is less than THB 0.2.
- b. The dividend was paid: the company omitted annual dividend for 2008, 2009 and 2010.
- c. The payment rate compared to the net profit: the company omitted annual dividend for 2008, 2009 and 2010.

6. Connected transaction

6.1 During the year 2011 and 2010, the company has entered into connected transaction with persons/parties, which may create conflict of interest as follows:

| Person who may have conflict of interest | | | Amount of connected transaction (MB) | | Pricing policy / Necessity and Appropriateness / Remarks |
|---|---------------------------------------|--|--------------------------------------|----------------------------|--|
| Relationship Transaction | | | 2011 | 2010 | |
| 1. Tycoons Group Enterprise (TGE) | Holding 100% Shares of Parent company | Revenue from sale Total Purchase of raw material and supplies Purchases of equipment | 1,408 287 0 | 1,416.19 196.80 1.62 | <p>The audit committee reviewed and commented as follows:</p> <p>(1) Sales-for wire rod and annealed wire and screw the market in Taiwan is substantially large relative to Thai market, thus motivating TYCN selling to TGE in Taiwan. Some of wire rod and annealed wire sold to TGE will be used internally whilst most of it will be on sold to Taiwanese customers. The logic behind selling through TGE is due to TGE's long-term relationships and profile with Taiwanese customers. This arrangement mean that it is not necessary for TYCN to build up its own recognition with Taiwanese customers or need to invest in marketing in Taiwanese market.</p> <p>(2) Materials, supplies and fixed assets.-The audit committee reviewed and commented that purchase item from the parent company is considered to be normal trading, in which TGE provides the minority raw material(apart from main raw material consisting of billet). Specifically, the chemical component cannot be acquired locally, thus necessitating TYCN to purchase in large quantities from TGE. It is recognized that Taiwan is the leader in machinery production for the screws and annealed wire, therefore machinery parts will are sourced in Taiwan via TGE. As a result, imports of both items from TGE is considered to be reasonable.</p> <p>(3) Credit terms for the related party was set to be 120 days, because of the transportation, inventory and re-sale period of TGE to end-customers.</p> <p>(4) The pricing policy for inter company purchase and sale transactions with its related parties are at market price.</p> |
| 2. Tycoons Group International (TGI) | Parent company | Total Purchase of raw material and supplies Revenue from sale | 0 159 | 326.65 144.00 | |
| 3. Baw-Heng Steel (Vietnam) Co., Ltd. (BHS) | 71.43% owned of Parent company | Revenue from sale Total Purchase of raw material and supplies | - 0 | - 11.48 | |
| 4. Huang Hua Ju Jing Hardware product Co., Ltd.(HJHP) | 60% owned of parent company | Total purchase of raw material and supplies | 1 | 0.93 | |

6.2 Measures/Procedures of approving connected transactions

For normal trading transaction such as inter-company sales and purchases, the Board of Directors will review the general company policies and the specific agreement to determine whether the transaction is proposed to be conducted on a fair basis. If approved, the transaction is permitted to proceed on such terms. The audit committee must attend the Board of Directors meeting and approve the proposed arrangement in order to protect the best interest of the company. For such other significant transactions such as the sales/acquisitions of assets and loans between related companies, details of such transaction must be forwarded to the meeting of board of directors of the company for approval, which meeting must also be attended by the audit committee. Such transactions must also be in compliance with laws on securities and the regulations, announcements, orders and notifications of the SET and SEC.

6.3 Policy or trend of connected transactions

Should there be future connected transaction between the company and its parent company or subsidiaries apart from those normal trades that might involve parties with conflicts of interest, the company will seek the opinion of the audit committee regarding the necessity of and accountability for such proposed transaction. In the event that the audit committee does not have the requisite expertise to evaluate the transaction, the company will seek the opinions of independent experts or its auditors. The board of directors will take into consideration such opinions. The company will also include any such transactions in the notes to its financial statements, which are audited by the company's auditors.

In making future connected transactions, the company's directors will also comply with the laws on securities and the regulations, announcements, orders and notifications of the SET and SEC, as well as the regulations regarding disclosure of connected transactions and acquisitions and dispositions of significant assets of a listed company.

7. Explanations and Analysis of the Financial Position Operation Results

7.1. Financial statements

(Unit : MB)

('million THB)

| Balance Sheet | Consolidated | | Separate | | |
|--|------------------|------------------|------------------|------------------|-----------------|
| Transactions | 2011 | 2010 | 2011 | 2010 | 2009 |
| <u>CURRENT ASSETS</u> | | | | | |
| Cash and cash equivalents | 548.95 | 348.46 | 548.95 | 348.46 | 529.75 |
| Trade accounts receivable, net | 417.50 | 399.85 | 417.50 | 399.85 | 484.50 |
| Inventories - net | 3,458.65 | 3,380.31 | 3,458.65 | 3,380.31 | 2,279.64 |
| Other current assets | 76.68 | 58.49 | 76.68 | 58.49 | 149.52 |
| <i>Total Current Assets</i> | 4,501.78 | 4,187.11 | 4,501.78 | 4,187.11 | 3,443.41 |
| <u>NON CURRENT ASSETS</u> | | | | | |
| Restricted bank deposit | 86.50 | 86.50 | 86.50 | 86.50 | 86.50 |
| Investment in a subsidiary | - | - | 97.39 | 97.39 | 97.39 |
| Investment in an Associated Company | 90.84 | - | 104.50 | - | - |
| Other long-term investment | 95.07 | 90.45 | - | - | - |
| Property, plant and equipment-net | 5,705.87 | 5,938.44 | 5,705.87 | 5,938.44 | 6068.14 |
| Intangible assets, net | 0.24 | 0.44 | 0.24 | 0.44 | 1.01 |
| Other non-current assets | 18.09 | 17.13 | 18.09 | 17.13 | 17.16 |
| <i>Total Non-current Assets</i> | 5,996.61 | 6,132.96 | 6,012.59 | 6,139.90 | 6,270.20 |
| Total assets | 10,498.39 | 10,320.07 | 10,514.37 | 10,327.01 | 9,713.61 |
| <u>CURRENT LIABILITIES</u> | | | | | |
| Short-term loan from financial institutions | 2,166.45 | 1,149.30 | 2,166.45 | 1,149.30 | 1,461.56 |
| Trade accounts payable | 730.64 | 1,399.13 | 730.64 | 1,399.13 | 230.63 |
| Current portion of long-term loans | 332.00 | 610.00 | 332.00 | 610.00 | 1,690.00 |
| Current portion of hire purchase creditors | 1.16 | 1.53 | 1.16 | 1.53 | 1.92 |
| Other current liabilities | 110.48 | 75.73 | 110.48 | 75.73 | 159.06 |
| <i>Total current liabilities</i> | 3,340.73 | 3,235.68 | 3,340.73 | 3,235.68 | 3,543.17 |
| <u>NON-CURRENT LIABILITIES</u> | | | | | |
| Hire purchase creditors | 2.06 | 2.64 | 2.06 | 2.64 | 3.71 |
| Long-term loan | 802.00 | 965.00 | 802.00 | 965.00 | 435.00 |
| Provision of long-term employee benefits | 11.67 | - | 11.67 | - | - |
| <i>Total Non-current liabilities</i> | 815.73 | 967.64 | 815.73 | 967.64 | 438.71 |
| Total liabilities | 4,156.46 | 4,203.32 | 4,156.46 | 4,203.32 | 3,981.88 |
| <u>SHAREHOLDERS' EQUITY</u> | | | | | |
| Authorized 603,503,900 common shares, Bath 10 par value | 6,035.04 | 6,035.04 | 6,035.04 | 6,035.04 | 6,035.04 |
| Issued 603,503,900 common shares, fully paid | 6,035.04 | 6,035.04 | 6,035.04 | 6,035.04 | 6,035.04 |
| Premium common shares | - | - | - | - | 651.60 |
| Premium on treasury stock | - | - | - | - | 40.38 |
| Translation adjustment | -2.32 | -6.94 | - | - | - |
| Retained Earnings | 311.15 | 88.65 | 324.80 | 88.65 | -995.30 |
| Treasury ordinary shares | -1.93 | - | -1.93 | - | - |
| <i>Total shareholders' equity</i> | 6,341.94 | 6,116.75 | 6,357.91 | 6,123.69 | 5,731.73 |
| Total liabilities and shareholders' equity | 10,498.40 | 10,320.07 | 10,514.37 | 10,327.01 | 9,713.61 |

Income statement and Cash flow

('million THB)

| Income statement and Cash flow | Consolidated | | Separate | | |
|---|-----------------|-----------------|-----------------|-----------------|------------------|
| Transaction | 2011 | 2010 | 2011 | 2010 | 2009 |
| Revenue from sales-net | 8,680.88 | 6,132.88 | 8,680.88 | 6,132.88 | 4,962.02 |
| Other income | 42.62 | 199.60 | 42.62 | 199.60 | 17.97 |
| Total revenues | 8,723.50 | 6,332.48 | 8,723.50 | 6,332.48 | 4,979.99 |
| Cost of sales | 7,868.75 | 5,665.26 | 7,868.75 | 5,665.26 | 5,591.17 |
| Selling and administrative expenses | 370.45 | 348.49 | 370.45 | 348.49 | 279.08 |
| Other expense | 129.35 | -192.98 | 129.35 | -192.98 | 486.63 |
| Total expenses | 8,368.55 | 5,820.77 | 8,368.55 | 5,820.77 | 6,356.88 |
| Profit before interest expense | 354.95 | 511.71 | 354.95 | 511.71 | -1,376.89 |
| Share of loss from investment in an associated | -13.66 | - | - | - | - |
| Finance Cost | 108.67 | 119.75 | 108.67 | 119.75 | 142.60 |
| Net income | 232.62 | 391.96 | 246.28 | 391.96 | -1,519.49 |
| Basic earning (loss) per share | 0.39 | 0.65 | 0.41 | 0.65 | -2.52 |
| The weighted average number of common shares | 603.50 | 603.50 | 603.50 | 603.50 | 603.50 |
| Net cash flow from operating | -104.54 | 843.51 | -104.54 | 843.51 | 715.72 |
| Net cash flow from investing | -150.52 | -39.25 | -150.52 | -39.25 | -231.58 |
| Net cash flow from financing | 455.55 | -985.55 | 455.55 | -985.55 | -2,215.41 |
| Increase in translation adjustment | - | - | - | - | - |
| Net increase (decrease) in cash and cash equivalents | 200.49 | -181.29 | 200.49 | -181.29 | -1,731.27 |

7.2 Financial ratios

| Ratios | Consolidated | | Separate | | |
|---|--------------|--------|----------|--------|-----------|
| | 2011 | 2010 | 2011 | 2010 | 2009 |
| <u>Liquidity</u> | | | | | |
| Current ratio (times) | 1.35 | 1.29 | 1.35 | 1.29 | 0.97 |
| Quick ratio (times) | 0.29 | 0.22 | 0.29 | 0.22 | 0.29 |
| Accounts receivable turnover (times) | 22.95 | 14.49 | 22.95 | 14.49 | 9.00 |
| A/R collection period (days) | 15.90 | 24.84 | 15.90 | 24.84 | 39.99 |
| Inventory turnover (times) | 2.30 | 2.00 | 2.30 | 2.00 | 1.99 |
| Days sales outstanding (days) | 158.62 | 179.83 | 158.62 | 179.83 | 180.89 |
| Accounts payable turnover (times) | 7.90 | 7.60 | 7.90 | 7.60 | 28.14 |
| Payment period (days) | 46.29 | 47.40 | 46.29 | 47.40 | 12.79 |
| Cash Cycle (days) | 128.32 | 157.28 | 128.32 | 157.28 | 208.09 |
| <u>Profitability</u> | | | | | |
| Gross profit margin (%) | 9.36 | 7.62 | 9.36 | 7.62 | -12.68 |
| Cost of goods sold to sales (%) | 90.64 | 92.38 | 90.64 | 92.38 | 112.68 |
| Operating profit margin (%) | 5.09 | 1.94 | 5.09 | 1.94 | -18.68 |
| Net income margin (%) | 2.68 | 6.39 | 2.68 | 6.39 | -30.62 |
| Return on equity (%) | 3.73 | 6.61 | 3.73 | 6.61 | -23.39 |
| Earning Per Share (Weighted Average) | 0.39 | 0.65 | 0.41 | 0.65 | -2.52 |
| Book Value Per Share (BVPS) | 10.51 | 10.14 | 10.54 | 10.15 | 9.50 |
| <u>Efficiency</u> | | | | | |
| Return on total assets (%) | 3.28 | 5.11 | 3.41 | 5.11 | -13.25 |
| Return on fixed assets (%) | 1.49 | 1.02 | 1.49 | 1.02 | -20.85 |
| Total asset turnover (times) | 0.83 | 0.61 | 0.83 | 0.61 | 0.43 |
| <u>Financial policy</u> | | | | | |
| Debt to equity ratio (times) | 0.65 | 0.69 | 0.65 | 0.69 | 0.69 |
| Dividend payout ratio (%) | - | - | - | - | - |
| <u>Growth rate (%)</u> | | | | | |
| Assets | 1.72 | 6.21 | 1.80 | 6.31 | -26.52 |
| Liabilities | -1.15 | 5.56 | -1.15 | 5.56 | -33.25 |
| Net Sale | 41.54 | 23.60 | 41.54 | 23.60 | -46.57 |
| Cost of goods sold | 38.89 | 1.33 | 38.89 | 1.33 | -32.97 |
| Selling and general administrative expenses | 11.45 | 24.87 | 11.45 | 24.87 | -28.86 |
| Net income | -40.65 | 125.80 | -37.16 | 125.80 | -4,823.19 |
| Gross profit | 73.67 | 174.33 | 73.67 | 174.33 | -166.52 |

7.3 Financial performance

7.3.1 Overall past performance

In year 2010, net sales increased by 24% from 4,962 to 6,133 MB. This increase in total sales is attributable as to 2.24% to domestic and as to 38.59% in international sales. Due to the increase of sales revenue and gross margin, the net income of 2010 increased by 125.79% compared to 2009. In 2011, sales revenue was 8,680 MB increased by 41.5% compared to 6,133MB in 2010. Since the global economic rebounded gradually, steel market demand increased and selling price of steel products raised, the Company held lower cost of raw materials also help to increase profit. The net income of 2011 was 246MB decreased by 37% compared to 392MB of 2010, it's because the losses on diminution in value of inventories.

TYCN began operations in 1999 with its world-class middle stream to downstream vertically integrated plant in Thailand. As it has the highest capacity among Thai wire rod producers, TYCN's initial utilization was only 50%, thereafter, as it began to accumulate experience, TYCN accelerated its utilization rate to be 93% in 2004. TYCN's capacity utilization rate was 47%- 67 % in 2009-2011 because of the global economic downturn and demand of the global steel market decline.

TYCN is the largest producer (in terms of production volume (tons)) of wire rods and screws in Thailand. Its superior product is its high carbon, high-quality wire rods. TYCN is also exclusively competitive in low carbon wire rods, specifically, CHQ (Cold Heading Quality). The company believes that it is able to produce higher-quality products than its competitors due to its high-quality production process, beginning with the careful selection of superb quality of billet, grinding procedure, all the way through to the finished products.

7.3.2 Performance by product group

(1) Revenue from sales

Sales revenue of 2010 was 6,133MB increased by 24% compared to 4,962 MB of 2009 because the global boom of 2010 was better than 2009 and sale volume increase also. Sales revenue of 2011 was 8,680MB increased by 41.5% compared to 6,133 of 2010. This was in virtue of demand of steel products higher in 2010.

Further details of sales revenue structure can be summarized as follows:

Revenue from wire rods in year 2011 was 4,778MB, increased by 36% compared to 2010. The total increase, in terms of the total THB amount, is 74% attributable to international sales. Revenue from wire rods in 2010 was 3,504MB, a 29% decrease from 2009.

Revenue from annealed wire in 2011 was 1,829 MB, increased by 39% compared to 2010. The sales of 2010 was 1,318MB, a 35% increase from 2009.

The company sells products including wire rod and annealed wire through TGE as follows:

| | 2011 | 2010 |
|---------------------|----------|----------|
| Value (MB) | 1,418.06 | 1,400.87 |
| Wire rod (Ton) | 28,437 | 47,522 |
| Annealed wire (Ton) | 27,055 | 14,728 |
| Bolt (Ton) | 258 | - |
| Total (Ton) | 55,750 | 62,250 |

Revenue from screws in 2011 was 778 MB, increased by 25% compared to 2010. The reason for this was sale price and sale volume increase. In 2010, revenue from sales screws was 620 MB, decrease by 3% compared to 2009.

Revenue from bolts in 2011 was 1,109 MB, increased by 102% compared to 2010. The reason were sale volume and selling price increase in 2011.

(2) Expenses

Cost of sales

Cost of sales is primarily composed of conversion cost and raw materials, of which billet is the main component. In year 2011, costs of sales were 7,868 MB increased by 39% compared to year 2010. This was mainly because of the increase in sale volume.

Selling and administrative expenses (SG&A)

In year 2011, selling and administrative expenses were 370 MB, a 11.44% increase from year 2010, as a result of the SG&A as a percentage of sales was 4%, and 5% in 2011 and 2010 respectively. The major components of SG&A are depreciation, salary and wages as well as transportation costs, which vary directly with sales volume. In 2010 SG&A were more than 2009 resulted from administration expenses increased.

(3) Profit

Gross profit

In 2011, gross profit was 812MB, gross margin rate increased from 7.62% of 2010 to 9.36% of 2011, resulted from sale price rose and raw materials cost declined. Gross profit margin rate of 2010 was 7.62% increased from -12.86% of 2009, the main reason was sale price incline.

Operating profit

Operating profit in 2011 was 441 MB, the rate increased from 2% of 2010 to 5.09% of 2011, resulted from sale price rose and raw material cost declined. As for 2010, the rate was 2% increased from -18 % of 2009, the reasons were both sale price and sale volume increase.

Net income

Net income in 2011 was 246 MB, net income rate decreased from 6.39% of 2010 to 2.68% of 2011. The net income 246MB of 2011 mainly resulted from the global economic boom recovered gradually, steel market demand increased and selling price of steel products raised as well. Besides, the Company held lower cost of raw materials also help to increase profit. However, the price of billet fall in Q4 and the Company set aside losses on diminution in value of inventories, as a result net income was lower than last year.

3. Financial status*(1) Assets***Composition**

As of December 31 2011, TYCN's had total assets 10,514MB, increased by 1.80% amounted 186MB compared to 2010. The major items accounting for this assets increase was cash and cash equivalents.

As of December 31 2010, TYCN's had total assets 10,327MB, increased by 6.31% with amount 613MB compared to 2009. The major items accounting for this assets increase was inventory.

Current assets of 2011 was 4,501MB increased by 7.48% with amount 313MB compared to 2010. This is mainly due to increase of cash and cash equivalents.

Non-current assets of 2011 was 6,012MB, decrease by 2.07% with amount 127 MB compared to 2010. Similarly, Non-current assets of 2010 was 6,140MB, decrease by 3.07% with amount 130 MB compared to 2009, the reason was the depreciation expense of fixed assets increase.

*Quality of assets***a) Assets**

At each reporting date, the Company performs impairment reviews in respect of the properly, plant and equipment and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognized when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount. In determining 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. In determining fair value less costs to sell, an appropriate valuation model is used.

b) Accounts receivable

As of December 31, 2011 accounts receivable amounted to 508 MB, which could be broken down into A/R of unrelated parties 451MB and A/R of related party 57MB. A/R amounted to 466MB in 2010 which could be broken down into A/R of unrelated

parties 396MB and A/R from related party 70MB. Typical credit terms for normal clients are 7-150 days. New clients as well as customers whose payments are overdue will be subject to make a payment equal to a certain percentage of the purchase amount before shipment.

Further details regarding the aging of accounts receivable are as set out below:

| | Unit: MB | |
|---------------------------------|--------------|--------------|
| | Dec 31, 2011 | Dec 31, 2010 |
| Inter- company A/R | 57 | 70 |
| A/R- unrelated parties | 451 | 396 |
| Total A/R | 508 | 466 |
| Aging of A/R- unrelated parties | | |
| Less than and up to 3 months | 319 | 292 |
| Over 3 months up to 6 months | 0.3 | - |
| Over 6 months up to 12 months | 31 | - |
| Over 12 months | 101 | 104 |
| Sub-total | 451 | 396 |
| Less Allowance for doubtful A/C | (116) | (104) |

Accounts Receivable turnover has been increased from 14.49 times of year 2010 to 22.95 times of year 2011. It's because of the global economic boom recovered gradually, sales in year 2011 was more than sales in year 2010 increased by 41%. Besides, the total amount of A/R stayed stable resulted in A/R collection period decline 9 days from 24.84 days of year 2010 to 15.90 days of year 2011.

(2) Liquidity

Cash flow

TYCN had a net increase in cash and cash equivalents at year-end 2011 of 200MB. Cash and cash equivalents at the end of 2011 amounted 549MB the change in cash flow amount was due to:

| | |
|------------------------------|---------|
| Net cash flow from operating | -105 MB |
| Net cash flow from investing | -150 MB |
| Net cash flow from financing | 455 MB |
| Net decrease in cash | 200 MB |

Net cash flow from operating activities was decrease, mostly due to the accounts payable decrease for purchase raw materials.

Net cash flow from financing activities decreased by 181MB mainly because of payment of short-term loans from financial institutions for purchase raw materials and investment in associated company.

Liquidity ratios

The company's current ratio has been increasing standing at 1.35 and 1.29 in year 2011 and 2010 respectively, because of cash and cash equivalents increased.

Effects from the maturity of current liabilities on the liquidity

In 2011, short-term loans from financial institutions and trade account payables as well as current portion of long-term loans have accounted for a large proportion of current liabilities. These first two items are payable within one year. As mentioned before, however, these loans were used to purchase raw materials for normal business operations. As a result, the company believes that the short-term maturity of such current liabilities should not adversely affect the company's liquidity.

Accounts payable turnover has been increased from 7.6 times of year 2010 to 7.90 times of year 2011. It's because of period of repaid accounts payable got shorter, therefore, the payment period decrease 2 days from 48.06 days of year 2010 to 46.20 days of year 2011.

(3) Capital expenditure

Capital expenditures amounted to 244MB and 121MB for the year 2011 and 2010, respectively

(4) Sources of funds**Funds structure**

The debt to equity ratio was 0.65 and 0.69 between the years 2011 and 2010. The debt to assets ratio was 0.35 and 0.41 between 2011 and 2010. This indicated that TYCN had only a small amount of risk and a healthy balance sheet.

Shareholders' equity

As of December 31, 2011, shareholders' equity was 6,357 MB, a increase of 3.82% or 234MB from year 2010. This was due to net income in 2011.

Liabilities

At the end of 2011, TYCN's liabilities amounted to 4,156 MB, which is equivalent to 39.52% of liabilities and shareholder's equity, and company's long-term Liabilities and equity was 7,159 MB, or 125% of net fixed assets. This indicates that TYCN had a healthy financial structure.

7.5 Factors potentially affecting company's performance in the future

TYCN tries to minimize of its exposure to economic downturns by concentrating on producing high-end products such as high carbon wire rods, of which TYCN is the largest manufacturer in Thailand. Additionally, TYCN has intentionally diversified its product lines into 4 groups: wire rods, annealed wires, screws and bolts. Even in the event of strong competition in the future, TYCN believes that it is in a good competitive position because of the high quality of its products compared to that of its competitors as well as its competitive marketing strategies. TYCN expects to expand its sales of screws and bolts globally, particularly to European countries. Finally, the company believes that its integrated production of wire rods, annealed wire, screws

and bolts will create economies of scale and provide TYCN with a competitive advantage.

For future expansion, TYCN's investment policy is as follows:

- 1) Investment in Thailand and/or business products: TYCN 100%
- 2) Investment abroad: Joint venture between TGE (or TGI) and TYCN or TYCN 100%

8. Financial Statement

8.1 Audit Remuneration

1). Audit Fee

The company and its subsidiary financial Statement 2010 annual audited fee and quarterly reviewed fee amount 1,585,000 Baht, and the financial Statement 2011 annual audited fee and quarterly reviewed fee amount 1,585,000 Baht.

2). Non-Audit Fee

1. Reviewed tax return of business 2010 and 2011(Por. Ngor. Dor. 50) and will be paid in 2011 and 2012 amount 225,000 Baht and 225,000 Baht respectively.
2. The advisory fees of the provision of IFRS conversion implementation 800,000 Bath, had been paid 330,000 baht in 2010, 470,000 Baht had been paid in 2011 as well.

8.2 Financial Statement

Report of Independent Auditor

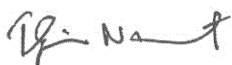
To the Shareholders of Tycoons Worldwide Group (Thailand) Public Company Limited

I have audited the accompanying consolidated statements of financial position of Tycoons Worldwide Group (Thailand) Public Company Limited and its subsidiary as at 31 December 2011 and 2010, the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and have also audited the separate financial statements of Tycoons Worldwide Group (Thailand) Public Company Limited for the same periods. These financial statements are the responsibility of the management of the Company and its subsidiary as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tycoons Worldwide Group (Thailand) Public Company Limited and its subsidiary and of Tycoons Worldwide Group (Thailand) Public Company Limited as at 31 December 2011 and 2010, and the results of their operations, and cash flows for the years then ended in accordance with generally accepted accounting principles.

Without qualifying my opinion on the aforementioned financial statements, I draw attention to Note 3 to the financial statements. During the current year, the Company and its subsidiary adopted a number of revised and new accounting standards issued by the Federation of Accounting Professions, and applied them in the preparation and presentation of these financial statements.



Thipawan Nananuwat

Certified Public Accountant (Thailand) No. 3459

Ernst & Young Office Limited

Bangkok: 24 February 2012

Tycoons Worldwide Group (Thailand) Public Company Limited and its subsidiary

Statements of financial position

As at 31 December 2011 and 2010

(Unit: Baht)

| | | Consolidated financial statements | | Separate financial statements | |
|---|------|-----------------------------------|----------------|-------------------------------|----------------|
| | Note | 2011 | 2010 | 2011 | 2010 |
| Assets | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | 8 | 548,951,347 | 348,463,026 | 548,947,727 | 348,459,582 |
| Trade and other receivables | 9 | 394,596,942 | 399,847,919 | 394,596,942 | 399,847,919 |
| Inventories | 10 | 3,458,648,598 | 3,380,306,841 | 3,458,648,598 | 3,380,306,841 |
| Advance payments for goods and services | 11 | 22,901,294 | 52,953,378 | 22,901,294 | 52,953,378 |
| Valued added tax refundable | | 47,828,982 | 3,131,632 | 47,828,982 | 3,131,632 |
| Other current assets | | 28,857,326 | 3,702,534 | 28,857,326 | 3,702,534 |
| Total current assets | | 4,501,784,489 | 4,188,405,330 | 4,501,780,869 | 4,188,401,886 |
| Non-current assets | | | | | |
| Restricted bank deposits | 12 | 86,500,000 | 86,500,000 | 86,500,000 | 86,500,000 |
| Investment in a subsidiary | 13 | - | - | 97,394,980 | 97,394,980 |
| Investment in an associate | 14 | 90,840,293 | - | 104,499,985 | - |
| Other long-term investment | 13 | 95,073,600 | 90,453,900 | - | - |
| Property, plant and equipment | 15 | 5,705,870,519 | 5,938,433,098 | 5,705,870,519 | 5,938,433,098 |
| Other intangible assets | 16 | 236,533 | 442,634 | 236,533 | 442,634 |
| Other non-current assets | | 18,091,686 | 17,131,055 | 18,091,686 | 17,131,055 |
| Total non-current assets | | 5,996,612,631 | 6,132,960,687 | 6,012,593,703 | 6,139,901,767 |
| Total assets | | 10,498,397,120 | 10,321,366,017 | 10,514,374,572 | 10,328,303,653 |

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

Tycoons Worldwide Group (Thailand) Public Company Limited and its subsidiary

Statements of financial position (continued)

As at 31 December 2011 and 2010

(Unit: Baht)

| | | Consolidated financial statements | | Separate financial statements | |
|--|-------------|--|----------------------|--------------------------------------|----------------------|
| | Note | 2011 | 2010 | 2011 | 2010 |
| Liabilities and shareholders' equity | | | | | |
| Current liabilities | | | | | |
| Short-term loans from financial institutions | 17 | 2,166,446,319 | 1,149,298,600 | 2,166,446,319 | 1,149,298,600 |
| Trade and other payables | 18 | 730,637,223 | 1,396,157,039 | 730,637,223 | 1,396,157,039 |
| Current portion of long-term loans from financial institutions | 19 | 332,000,000 | 610,000,000 | 332,000,000 | 610,000,000 |
| Current portion of liabilities under hire purchase agreements | | 1,161,508 | 1,524,717 | 1,161,508 | 1,524,717 |
| Provision for loss from raw material purchase contracts | 20 | 25,408,365 | - | 25,408,365 | - |
| Advance received from customers | | 65,058,551 | 62,082,370 | 65,058,551 | 62,082,370 |
| Other current liabilities | | 20,021,560 | 17,909,251 | 20,021,560 | 17,909,251 |
| Total current liabilities | | 3,340,733,526 | 3,236,971,977 | 3,340,733,526 | 3,236,971,977 |
| Non-current liabilities | | | | | |
| Long-term loans from financial institutions - net of current portion | 19 | 802,000,000 | 965,000,000 | 802,000,000 | 965,000,000 |
| Liabilities under hire purchase agreements - net of current portion | | 2,055,615 | 2,643,892 | 2,055,615 | 2,643,892 |
| Provision for long-term employee benefits | 21 | 11,670,584 | - | 11,670,584 | - |
| Total non-current liabilities | | 815,726,199 | 967,643,892 | 815,726,199 | 967,643,892 |
| Total liabilities | | 4,156,459,725 | 4,204,615,869 | 4,156,459,725 | 4,204,615,869 |

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

Tycoons Worldwide Group (Thailand) Public Company Limited and its subsidiary

Statements of financial position (continued)

As at 31 December 2011 and 2010

(Unit: Baht)

| | | Consolidated financial statements | | Separate financial statements | |
|---|-------------|--|-----------------------|--------------------------------------|-----------------------|
| | <u>Note</u> | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> |
| Shareholders' equity | | | | | |
| Share capital | | | | | |
| Registered | | | | | |
| 603,503,900 ordinary shares of Baht 10 each | 22 | <u>6,035,039,000</u> | <u>6,035,039,000</u> | <u>6,035,039,000</u> | <u>6,035,039,000</u> |
| Issued and fully paid up | | | | | |
| 603,503,900 ordinary shares of Baht 10 each | | 6,035,039,000 | 6,035,039,000 | 6,035,039,000 | 6,035,039,000 |
| Treasury shares | 22 | (1,927,105) | - | (1,927,105) | - |
| Retained earnings | | | | | |
| Appropriated | | | | | |
| Statutory reserve | 24 | 16,832,439 | 4,432,439 | 16,832,439 | 4,432,439 |
| Treasury share reserve | 25 | 1,927,105 | - | 1,927,105 | - |
| Unappropriated | | 292,387,666 | 84,220,295 | 306,043,408 | 84,216,345 |
| Exchange differences on translation of | | | | | |
| financial statements in foreign currency | | <u>(2,321,710)</u> | <u>(6,941,586)</u> | - | - |
| Total shareholders' equity | | <u>6,341,937,395</u> | <u>6,116,750,148</u> | <u>6,357,914,847</u> | <u>6,123,687,784</u> |
| Total liabilities and shareholders' equity | | <u>10,498,397,120</u> | <u>10,321,366,017</u> | <u>10,514,374,572</u> | <u>10,328,303,653</u> |
| | | - | - | - | - |

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

Directors

Tycoons Worldwide Group (Thailand) Public Company Limited and its subsidiary

Statements of comprehensive income

For the years ended 31 December 2011 and 2010

(Unit: Baht)

| | | Consolidated financial statements | | Separate financial statements | |
|--|-------------|--|----------------------|--------------------------------------|----------------------|
| | <u>Note</u> | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> |
| Profit or loss: | | | | | |
| Revenues | | | | | |
| Sales | | 8,680,876,522 | 6,132,881,794 | 8,680,876,522 | 6,132,881,794 |
| Other income | | | | | |
| Gains on exchange rate | | - | 164,430,812 | - | 164,430,812 |
| Interest income | | 19,623,854 | 4,615,143 | 19,623,854 | 4,615,143 |
| Others | | 22,995,472 | 30,554,538 | 22,995,472 | 30,554,538 |
| Total revenues | | 8,723,495,848 | 6,332,482,287 | 8,723,495,848 | 6,332,482,287 |
| Expenses | | | | | |
| Cost of sales | | 7,868,750,121 | 5,665,264,490 | 7,868,750,121 | 5,665,264,490 |
| Decrease of inventory to net realisable value (reversal) | | 59,628,187 | (120,017,044) | 59,628,187 | (120,017,044) |
| | | 7,928,378,308 | 5,545,247,446 | 7,928,378,308 | 5,545,247,446 |
| Selling expenses | | 230,092,343 | 226,663,910 | 230,092,343 | 226,663,910 |
| Administrative expenses | | 140,354,462 | 105,784,836 | 140,354,462 | 105,784,836 |
| Doubtful debts (reversal) | 11 | 12,153,204 | (48,415,956) | 12,153,204 | (48,415,956) |
| Reversal of provision for losses from advances that may not be recovered | | - | (18,539,825) | - | (18,539,825) |
| Losses from raw material purchase contracts (reversal) | 20 | 25,408,365 | (6,014,805) | 25,408,365 | (6,014,805) |
| Losses from derivatives | | 14,956,457 | 16,042,800 | 14,956,457 | 16,042,800 |
| Losses on exchange rate | | 17,200,951 | - | 17,200,951 | - |
| Total expenses | | 8,368,544,090 | 5,820,768,406 | 8,368,544,090 | 5,820,768,406 |
| Profit before share of loss from investment in associate and finance cost | | 354,951,758 | 511,713,881 | 354,951,758 | 511,713,881 |
| Share of loss from investment in an associate | | (13,659,692) | - | - | - |
| Income before finance cost | | 341,292,066 | 511,713,881 | 354,951,758 | 511,713,881 |
| Finance cost | | (108,668,135) | (119,753,182) | (108,668,135) | (119,753,182) |
| Profit for the year | 27 | 232,623,931 | 391,960,699 | 246,283,623 | 391,960,699 |
| Other comprehensive income: | | | | | |
| Exchange differences on translation of financial statements in foreign currency | | 4,619,876 | (9,652,868) | - | - |
| Other comprehensive income for the year | | 4,619,876 | (9,652,868) | - | - |
| Total comprehensive income for the year | | 237,243,807 | 382,307,831 | 246,283,623 | 391,960,699 |

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

Tycoons Worldwide Group (Thailand) Public Company Limited and its subsidiary

Statements of comprehensive income (Continued)

For the years ended 31 December 2011 and 2010

(Unit: Baht)

| | | Consolidated financial statements | | Separate financial statements | |
|--|-------------|--|--------------------|--------------------------------------|--------------------|
| | Note | 2011 | 2010 | 2011 | 2010 |
| Profit attributable to: | | | | | |
| Equity holders of the Company | | <u>232,623,931</u> | <u>391,960,699</u> | <u>246,283,623</u> | <u>391,960,699</u> |
| Total comprehensive income attributable to: | | | | | |
| Equity holders of the Company | | <u>237,243,807</u> | <u>382,307,831</u> | <u>246,283,623</u> | <u>391,960,699</u> |
| Earnings per share | | | | | |
| Basic earnings per share | | | | | |
| Profit attributable to equity holders of the Company | 28 | <u>0.39</u> | <u>0.65</u> | <u>0.41</u> | <u>0.65</u> |

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

Tycoons Worldwide Group (Thailand) Public Company Limited and its subsidiary
Statements of changes in shareholders' equity
For the years ended 31 December 2011 and 2010

| | Consolidated financial statements | | | | | | | (Unit: Baht) |
|--|--|-------------------|---------------|-------------------|-----------------------------|----------------------------|--|----------------------------------|
| | Issued and fully paid-up share capital | Treasury stock | Premium on | | Retained earnings (deficit) | | Exchange differences on translation of financial statements in foreign currency | Total shareholders' equity |
| | | | Share capital | Treasury stock | Statutory reserve | Treasury shares reserve | Unappropriated (Deficit) | |
| Balance as at 31 December 2009 | 6,035,039,000 | - | 651,599,475 | 40,394,832 | 90,122,577 | - | (1,085,424,849) | 5,734,442,317 |
| Transfer of statutory reserve, premium on share capital and premium on treasury stock to offset deficit (Note 23) | - | - | (651,599,475) | (40,394,832) | (90,122,577) | - | 782,116,884 | - |
| Unappropriated retained earnings transferred to statutory reserve (Note 24) | - | - | - | - | 4,432,439 | - | (4,432,439) | - |
| Total comprehensive income for the year | - | - | - | - | - | - | 391,960,699 | 382,307,831 |
| Balance as at 31 December 2010 | 6,035,039,000 | - | - | - | 4,432,439 | - | 84,220,295 | 6,116,750,148 |
| Balance as at 31 December 2010 | 6,035,039,000 | - | - | - | 4,432,439 | - | 84,220,295 | 6,116,750,148 |
| Cumulative effect of change in accounting policy for employee benefits (Note 3) | - | - | - | - | - | - | (10,129,455) | (10,129,455) |
| Treasury stock (Note 22) | - | (1,927,105) | - | - | - | - | - | (1,927,105) |
| Unappropriated retained earnings transferred to statutory reserve (Note 24) | - | - | - | - | 12,400,000 | - | (12,400,000) | - |
| Unappropriated retained earnings transferred to treasury shares reserve (Note 25) | - | - | - | - | - | 1,927,105 | (1,927,105) | - |
| Total comprehensive income for the year | - | - | - | - | - | - | 232,623,931 | 237,243,807 |
| Balance as at 31 December 2011 | 6,035,039,000 | (1,927,105) | - | - | 16,832,439 | 1,927,105 | 292,387,666 | 6,341,937,395 |

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

Tycoons Worldwide Group (Thailand) Public Company Limited and its subsidiary

Statements of changes in shareholders' equity (continued)

For the years ended 31 December 2011 and 2010

| | Separate financial statements | | | | | | (Unit: Baht) | |
|---|--|----------------|---------------|-----------------------------|-------------------|-----------|-----------------|-------------------------|
| | Issued and fully paid-up share capital | Premium on | | Retained earnings (deficit) | | Total | | |
| | | Treasury stock | Share capital | Treasury stock | Statutory reserve | | | Treasury shares reserve |
| Balance as at 31 December 2009 | 6,035,039,000 | - | 651,599,475 | 40,394,832 | 90,122,577 | - | (1,085,428,799) | 5,731,727,085 |
| Transfer of statutory reserve, premium on share capital and premium on treasury stock to offset deficit (Note 23) | - | - | (651,599,475) | (40,394,832) | (90,122,577) | - | 782,116,884 | - |
| Unappropriated retained earnings transferred to statutory reserve (Note 24) | - | - | - | - | 4,432,439 | - | (4,432,439) | - |
| Total comprehensive income for the year | - | - | - | - | - | - | 391,960,699 | 391,960,699 |
| Balance as at 31 December 2010 | 6,035,039,000 | - | - | - | 4,432,439 | - | 84,216,345 | 6,123,687,784 |
| Balance as at 31 December 2010 | 6,035,039,000 | - | - | - | 4,432,439 | - | 84,216,345 | 6,123,687,784 |
| Cumulative effect of change in accounting policy for employee benefits (Note 3) | - | - | - | - | - | - | (10,129,455) | (10,129,455) |
| Treasury stock (Note 22) | - | (1,927,105) | - | - | - | - | - | (1,927,105) |
| Unappropriated retained earnings transferred to statutory reserve (Note 24) | - | - | - | - | 12,400,000 | - | (12,400,000) | - |
| Unappropriated retained earnings transferred to treasury shares reserve (Note 25) | - | - | - | - | - | 1,927,105 | (1,927,105) | - |
| Total comprehensive income for the year | - | - | - | - | - | - | 246,283,623 | 246,283,623 |
| Balance as at 31 December 2011 | 6,035,039,000 | (1,927,105) | - | - | 16,832,439 | 1,927,105 | 306,043,408 | 6,357,914,847 |

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

Tycoons Worldwide Group (Thailand) Public Company Limited and its subsidiary

Cash flow statements

For the years ended 31 December 2011 and 2010

(Unit: Baht)

| | Consolidated financial statements | | Separate financial statements | |
|---|--|--------------------|--------------------------------------|--------------------|
| | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> |
| Cash flows from operating activities | | | | |
| Profit before tax | 232,623,931 | 391,960,699 | 246,283,623 | 391,960,699 |
| Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities: | | | | |
| Depreciation | 320,554,427 | 250,178,869 | 320,554,427 | 250,178,869 |
| Amortisation | 14,332,349 | 13,673,571 | 14,332,349 | 13,673,571 |
| Allowance for doubtful accounts (reversal) | 12,153,204 | (48,415,956) | 12,153,204 | (48,415,956) |
| Reversal of losses from advances that may not be recovered | - | (18,539,825) | - | (18,539,825) |
| Decrease of inventory to net realisable value (reversal) | 59,628,187 | (120,017,045) | 59,628,187 | (120,017,045) |
| Losses from raw material purchase contracts (reversal) | 25,408,365 | (6,014,805) | 25,408,365 | (6,014,805) |
| Losses (gains) on disposal and write-off of equipment | 13,923,124 | (634,420) | 13,923,124 | (634,420) |
| Share of loss from investment in associate | 13,659,692 | - | - | - |
| Unrealised gains on fair value of derivatives | (9,369,510) | (2,618,464) | (9,369,510) | (2,618,464) |
| Provision for long-term employee benefits | 1,541,129 | - | 1,541,129 | - |
| Unrealised losses on exchange rate | 42,569,823 | 32,242,098 | 42,569,823 | 32,242,098 |
| Interest income | (19,623,854) | (4,615,143) | (19,623,854) | (4,615,143) |
| Interest expenses | <u>76,016,054</u> | <u>114,014,976</u> | <u>76,016,054</u> | <u>114,014,976</u> |
| Profit from operating activities before changes in operating assets and liabilities | 783,416,921 | 601,214,555 | 783,416,921 | 601,214,555 |
| Operating assets (increase) decrease | | | | |
| Trade and other receivables | (15,910,046) | 96,122,029 | (15,910,046) | 96,122,029 |
| Inventories | (137,969,944) | (980,645,350) | (137,969,944) | (980,645,350) |
| Other current assets | (45,379,396) | 44,179,503 | (45,379,396) | 44,179,503 |
| Other non-current assets | (15,086,879) | (13,079,972) | (15,086,879) | (13,079,972) |
| Operating liabilities increase (decrease) | | | | |
| Trade and other payables | (663,602,990) | 1,086,481,310 | (663,602,990) | 1,086,481,310 |
| Other current liabilities | <u>(10,014,746)</u> | <u>9,235,933</u> | <u>(10,014,746)</u> | <u>9,235,933</u> |
| Net cash flows from (used in) operating activities | <u>(104,547,080)</u> | <u>843,508,008</u> | <u>(104,547,080)</u> | <u>843,508,008</u> |

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

Tycoons Worldwide Group (Thailand) Public Company Limited and its subsidiary

Cash flow statements (continued)

For the years ended 31 December 2011 and 2010

(Unit: Baht)

| | Consolidated financial statements | | Separate financial statements | |
|--|--|---------------------------|--------------------------------------|---------------------------|
| | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> |
| Cash flows from investing activities | | | | |
| Cash receipts from insurance company as compensation for fire damage to assets | 30,052,084 | 75,827,630 | 30,052,084 | 75,827,630 |
| Cash paid for investment in associate | (104,499,985) | - | (104,499,985) | - |
| Acquisition of property, plant and equipment | (102,949,407) | (121,586,628) | (102,949,407) | (121,586,628) |
| Interest income | 20,698,694 | 4,764,504 | 20,698,694 | 4,764,504 |
| Proceeds from sales of equipment | 6,179,242 | 1,747,663 | 6,179,242 | 1,747,663 |
| Net cash flows used in investing activities | <u>(150,519,372)</u> | <u>(39,246,831)</u> | <u>(150,519,372)</u> | <u>(39,246,831)</u> |
| Cash flows from financing activities | | | | |
| Payment of interest expenses | (80,226,430) | (116,649,636) | (80,226,430) | (116,649,636) |
| Receipt (repayment) of short-term loans from financial institutions | 984,901,379 | (317,267,859) | 984,901,379 | (317,267,859) |
| Repayment of long-term loans | (441,000,000) | (550,000,000) | (441,000,000) | (550,000,000) |
| Repayment of liabilities under hire purchase agreements | (6,193,247) | (1,634,809) | (6,193,247) | (1,634,809) |
| Cash paid to purchase treasury shares | (1,927,105) | - | (1,927,105) | - |
| Net cash flows from (used in) financing activities | <u>455,554,597</u> | <u>(985,552,304)</u> | <u>455,554,597</u> | <u>(985,552,304)</u> |
| Increase (decrease) in translation adjustments | <u>176</u> | <u>(368)</u> | <u>-</u> | <u>-</u> |
| Net increase (decrease) in cash and cash equivalents | <u>200,488,321</u> | <u>(181,291,495)</u> | <u>200,488,145</u> | <u>(181,291,127)</u> |
| Cash and cash equivalents at beginning of year | <u>348,463,026</u> | <u>529,754,521</u> | <u>348,459,582</u> | <u>529,750,709</u> |
| Cash and cash equivalents at end of year | <u><u>548,951,347</u></u> | <u><u>348,463,026</u></u> | <u><u>548,947,727</u></u> | <u><u>348,459,582</u></u> |
| | - | - | - | - |
| Supplementary cash flow information: | | | | |
| Non-cash transactions: | | | | |
| Purchases of vehicles through finance lease agreements | 5,144,807 | - | 5,144,807 | - |

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

Tycoons Worldwide Group (Thailand) Public Company Limited and its subsidiary
Notes to consolidated financial statements
For the years ended 31 December 2011 and 2010

1. General information

Tycoons Worldwide Group (Thailand) Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. Its parent company is Tycoons Group International Co., Ltd. which was incorporated in Cayman. The parent company of the group is Tycoons Group Enterprise Co., Ltd. The Company is principally engaged in the manufacture and distribution of steel wire rods, steel annealing wire, steel screw and wire products. The registered address is at 99 Moo 1, Tambol Nikompattana, Amphur Nikompattana, Rayong.

2. Basis of preparation

- 2.1 The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 28 September 2011, issued under the Accounting Act B.E. 2543.

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

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

2.2 Basis of consolidation

- a) The consolidated financial statements include the financial statements of Tycoons Worldwide Group (Thailand) Public Company Limited (“the Company”) and All Manage International Limited (“the subsidiary”):

| Company's name | Nature of business | Country of incorporation | Percentage of shareholding | |
|----------------------------------|--------------------|--------------------------|----------------------------|-------------|
| | | | <u>2011</u> | <u>2010</u> |
| | | | Percent | Percent |
| All Manage International Limited | Holding company | British Virgin | 100 | 100 |

- b) Subsidiary is fully consolidated as from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.

- c) The financial statement of the subsidiary is prepared using the same significant accounting policies as the Company.
- d) The assets and liabilities in the financial statements of overseas subsidiary company are translated to Baht using the exchange rate prevailing on the end of reporting period, and revenues and expenses translated using monthly average exchange rates. The resulting differences are shown under the caption of "Exchange differences on translation of financial statements in foreign currency" in the statements of changes in shareholders' equity.
- e) Material balances and transactions between the Company and its subsidiary company have been eliminated from the consolidated financial statements.

2.3 The separate financial statements, which present investment in subsidiary and associate under the cost method, have been prepared solely for the benefit of the public.

3. Adoption of new accounting standards during the year

During the current year, the Company and its subsidiary adopted a number of revised and new accounting standards, issued by the Federation of Accounting Professions, as listed below.

Accounting standards:

Framework for the Preparation and Presentation of Financial Statements
(revised 2010)

| | |
|-----------------------|---|
| TAS 1 (revised 2010) | Presentation of Financial Statements |
| TAS 2 (revised 2010) | Inventories |
| TAS 7 (revised 2010) | Statement of Cash Flows |
| TAS 8 (revised 2010) | Accounting Policies, Changes in Accounting Estimates and Errors |
| TAS 10 (revised 2010) | Events after the Reporting Period |
| TAS 11 (revised 2010) | Construction Contracts |
| TAS 16 (revised 2010) | Property, Plant and Equipment |
| TAS 17 (revised 2010) | Leases |
| TAS 18 (revised 2010) | Revenue |
| TAS 19 | Employee Benefits |
| TAS 23 (revised 2010) | Borrowing Costs |
| TAS 24 (revised 2010) | Related Party Disclosures |
| TAS 26 | Accounting and Reporting by Retirement Benefit Plans |
| TAS 27 (revised 2010) | Consolidated and Separate Financial Statements |
| TAS 28 (revised 2010) | Investments in Associates |

| | |
|-----------------------|--|
| TAS 29 | Financial Reporting in Hyperinflationary Economies |
| TAS 31 (revised 2010) | Interests in Joint Ventures |
| TAS 33 (revised 2010) | Earnings per Share |
| TAS 34 (revised 2010) | Interim Financial Reporting |
| TAS 36 (revised 2010) | Impairment of Assets |
| TAS 37 (revised 2010) | Provisions, Contingent Liabilities and Contingent Assets |
| TAS 38 (revised 2010) | Intangible Assets |
| TAS 40 (revised 2010) | Investment Property |
| TFRS 2 | Share-Based Payment |
| TFRS 3 (revised 2010) | Business Combinations |
| TFRS 5 (revised 2010) | Non-current Assets Held for Sale and Discontinued Operations |
| TFRS 6 | Exploration for and Evaluation of Mineral Resources |
| TFRIC 15 | Agreements for the Construction of Real Estate |

These accounting standards do not have any significant impact on the financial statements, except for the following accounting standards.

TAS 19 Employee Benefits

This accounting standard requires employee benefits to be recognised as expense in the period in which the service is performed by the employee. In particular, an entity has to evaluate and make a provision for post-employment benefits using actuarial techniques. The Company and its subsidiary previously accounted for such employee benefits when they were incurred.

The Company and its subsidiary have changed this accounting policy in the current year and recognise the liability in the transition period through an adjustment to the beginning balance of retained earnings in the current year. The change has the effect of decreasing the profit of the Company and its subsidiary for the year 2011 by Baht 1.54 million, (0.002 Baht per share) (Separate financial statements: decreasing profit by Baht 1.54 million, or 0.002 Baht per share).

The cumulative effect of the change in the accounting policy amounting to Baht 10,129 thousand has been separately presented in the statements of changes in shareholders' equity in the current period.

The amounts of adjustments affecting the statement of financial position as at 31 December 2011 and the statements of comprehensive income for the year ended 31 December 2011 are summarised below.

| | |
|---|-------------------------|
| | (Unit: Thousand Baht) |
| | Consolidated/Separate |
| | financial statements |
| | <u>31 December 2011</u> |
| Statement of financial position | |
| Increase in provision for long-term employee benefits | 11,671 |
| Decrease in unappropriated retained earnings | (11,671) |

| | |
|---|---------------------------|
| | Consolidated/Separate |
| | financial statements |
| | <u>For the year ended</u> |
| | <u>31 December 2011</u> |
| Statement of comprehensive income | |
| Increase in employee expenses | 1,542 |
| Decrease in profit for the period | (1,542) |
| Decrease in basic earnings per share (Baht) | (0.002) |

4. New accounting standards issued during the years not yet effective

The Federation of Accounting Professions issued the following new/revised accounting standards that are effective for fiscal years beginning on or after 1 January 2013.

Accounting standards:

| | |
|-----------------------|--|
| TAS 12 | Income Taxes |
| TAS 20 (revised 2009) | Accounting for Government Grants and Disclosure of Government Assistance |
| TAS 21 (revised 2009) | The Effects of Changes in Foreign Exchange Rates |

Accounting Standard Interpretations:

| | |
|--------|---|
| SIC 10 | Government Assistance - No Specific Relation to Operating Activities |
| SIC 21 | Income Taxes - Recovery of Revalued Non-Depreciable Assets |
| SIC 25 | Income Taxes - Changes in the Tax Status of an Entity or its Shareholders |

The Company's management believes that these accounting standards will not have any significant impact on the financial statements for the year when they are initially applied, except for the following accounting standards.

TAS 12 Income Taxes

This accounting standard requires an entity to identify temporary differences, which are differences between the carrying amount of an asset or liability in the accounting records and its tax base, and to recognize deferred tax assets and liabilities under the stipulated guidelines.

At present, the management is evaluating the impact on the financial statements in the year when this standard is adopted.

5. Significant accounting policies

5.1 Revenue recognition

Sales of goods

Sales of goods are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales are the invoiced value, excluding value added tax, of goods supplied after deducting discounts and allowances.

Interest income

Interest income is recognised on an accrual basis based on the effective interest rate.

5.2 Cash and cash equivalents

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

5.3 Trade accounts receivable

Trade accounts receivable are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experience and analysis of debt aging.

5.4 Inventories

Finished goods and work in process are valued at the lower of average cost and net realisable value. Average cost includes all production costs and attributable factory overheads.

Raw materials, spare parts and factory supplies are valued at the lower of average cost and net realisable value and are charged to production costs whenever consumed.

5.5 Investments

- a) Investments in non-marketable equity securities, which the Company classified as other long-term investment, are stated at cost net of allowance for loss on diminution in value (if any).
- b) Investment in associate is accounted for in the consolidated financial statements using the equity method.
- c) Investments in subsidiary and associate are accounted for in the separate financial statements using the cost method.

The weighted average method is used for computation of the cost of investments.

On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognized in profit or loss.

5.6 Property, plant and equipment/Depreciation

Land is stated at cost. Buildings and equipment are stated at cost amount less accumulated depreciation and allowance for loss on impairment of assets (if any).

Depreciation of plant and equipment is calculated by reference to their costs on the straight-line basis over the following estimated useful lives, except for machinery and equipment for main production, which are depreciated based on estimated units of production:

| | | |
|--|---|---------------|
| Land improvement | 30 years | straight-line |
| Building and attached facilities | 13-30 years | straight-line |
| Motor vehicles | 5 years | straight-line |
| Furniture and office equipment | 3-10 years | straight-line |
| Minor machinery and equipment for production | 5 years and 13 years | straight-line |
| Main machinery and equipment for production | Estimated units of production at a total of 0.4-15.0 million tons | |

Depreciation is included in determining income.

No depreciation is provided on land and assets under installation and construction.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognised.

5.7 Intangible assets

Intangible assets acquired are recognised at cost. Following the initial recognition, the intangible assets are carried at cost less any accumulated amortisation and allowance for impairment losses (if any).

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

A summary of the intangible assets with finite useful lives is as follows.

| | <u>Useful lives</u> |
|-------------------|---------------------|
| Computer software | 3 years |

5.8 Related party transactions

Related parties comprise enterprises and individuals that control, or are controlled by, the Company, whether directly or indirectly, or which are under common control with the Company.

They also include associated companies and individuals which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors and officers with authority in the planning and direction of the Company's operations.

5.9 Long-term leases

Leases of vehicles and which transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in other long-term payables, while the interest element is charged to profit or loss over the lease period. The equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease period.

Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term.

5.10 Foreign currencies

Transactions in foreign currency are translated into Baht at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rate ruling at the end of reporting period, with the exception of those covered by forward exchange contracts, which are translated at the contracted rates.

Gains and losses on exchange rate are included in determining income.

5.11 Impairment of assets

At the end of reporting period, the Company performs impairment reviews in respect of the property, plant and equipment and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount.

An impairment loss is recognised in profit or loss.

5.12 Employee benefits

Short-term employee benefits

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

Post-employment benefits

Defined contribution plans

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

Defined benefit plans

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

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

For the first-time adoption of TAS 19 Employee Benefits, the Company elected to recognize the transitional liability, which exceeds the liability that would have been recognised at the same date under the previous accounting policy, through an adjustment to the beginning balance of retained earnings in the current year.

5.13 Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

5.14 Income tax

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

5.15 Derivatives

Forward exchange contracts

Receivables and payables arising from forward exchange contracts are translated into Baht using fair value at the end of reporting period. Gains and losses from the translation are included in determining income.

Interest rate swap contracts

The net amount of interest to be received from or paid to the counterparty under the interest rate swap contracts is recognised as income or expenses on an accrual basis.

Currency option contracts

Currency option agreements are contracts between two parties whereby the seller grants the buyer a future option to buy (call option) or to sell (put option) foreign currency at an exchange rate stipulated in the agreement. The Company enters into such agreements in order to manage foreign exchange risk.

The notional amounts of cross currency option agreements utilized by the Company to manage foreign exchange risk are not recognized as assets or liabilities upon inception of the agreement.

6. Significant accounting judgments and estimates

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

Allowance for doubtful accounts

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

Allowance of diminution in value of inventory

In determining an allowance of diminution in value of inventory, the management makes judgment and estimates net realisable value of inventory based on the amount the inventories are expected to realise. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period. Also, the management makes judgment and estimates expected loss from stock obsolescence based upon aging profile of inventories and the prevailing economic condition.

Impairment of other investments

The Company treats other investments as impaired when the management judges that there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires judgment of the management.

Property, plant and equipment and depreciation

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

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

Post-employment benefits under defined benefit plans

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

7. Related party transactions

The followings are relationships with related parties.

| Name of entities | Country of incorporation | Nature of relationships |
|---|---------------------------------|--------------------------------|
| All Manage International Limited | British Virgin Islands | Subsidiary company |
| Tycoons Group Enterprise Co., Ltd. | Taiwan | Ultimate parent company |
| Tycoons Group International Co., Ltd. | Cayman | Parent company |
| Baw - Heng Steel (Vietnam) Co., Ltd. | Vietnam | Subsidiary of parent company |
| Huanghua Jujin Hardware Products Co., Ltd | China | Subsidiary of parent company |
| Tycoons Steel International Co., Ltd. | Cayman | 6% holding by a subsidiary |
| TY Steel Co., Ltd. | Thailand | Associated company |

During the years, the Company and its subsidiary had significant business transactions with related parties. Such transactions, which are summarized below, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company and those related parties.

| | Consolidated/Separate financial statements | | (Unit: Million Baht) |
|--|---|-------------|--------------------------------|
| | | | Transfer Pricing policy |
| | <u>2011</u> | <u>2010</u> | |
| Transactions with ultimate parent company | | | |
| Sales | 1,408 | 1,416 | With reference to market price |
| Purchases of raw materials | 287 | 197 | With reference to market price |
| Transactions with parent company | | | |
| Sales | 159 | 144 | With reference to market price |
| Purchases of raw materials | - | 327 | With reference to market price |
| Transactions with related company | | | |
| Purchases of raw materials | 1 | 12 | With reference to market price |

As at 31 December 2011 and 2010, the balances of the accounts between the Company and those related companies are as follows:

| | Consolidated/Separate financial statements | |
|---|---|---------------|
| | | |
| | <u>2011</u> | <u>2010</u> |
| <u>Trade accounts receivable - related parties</u> (Note 9) | | |
| Ultimate parent company | 56,769 | 70,042 |
| Total trade accounts receivable - related parties | <u>56,769</u> | <u>70,042</u> |
| <u>Amounts due from related parties</u> (Note 9) | | |
| Related company (related by common shareholder) | 414 | 36,585 |
| Total amounts due from related parties | <u>414</u> | <u>36,585</u> |
| <u>Trade accounts payable - related party</u> (Note 18) | | |
| Ultimate parent company | 18,833 | 60,658 |
| Total trade accounts payable - related party | <u>18,333</u> | <u>60,658</u> |
| <u>Amount due to related party</u> (Note 18) | | |
| Ultimate parent company | - | 45 |
| Total amount due to related party | <u>-</u> | <u>45</u> |

Directors and management's benefits

During the year ended 31 December 2011 and 2010, the Company and its subsidiary had employee benefit expenses of their directors and management as below.

| | (Unit: Million Baht) | |
|------------------------------|--|-------------|
| | Consolidated/Separate financial statements | |
| | <u>2011</u> | <u>2010</u> |
| Short-term employee benefits | 17 | 14 |
| Total | <u>17</u> | <u>14</u> |

8. Cash and cash equivalents

| | (Unit: Thousand Baht) | | | |
|-------------------|-----------------------------------|----------------|-------------------------------|----------------|
| | Consolidated financial statements | | Separate financial statements | |
| | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> |
| Cash | 201 | 217 | 201 | 217 |
| Bank deposits | 448,750 | 348,246 | 448,747 | 348,243 |
| Bills of exchange | 100,000 | - | 100,000 | - |
| Total | <u>548,951</u> | <u>348,463</u> | <u>548,948</u> | <u>348,460</u> |

As at 31 December 2011, bank deposits in saving accounts, fixed deposits and bills of exchange carried interests between 0.75 and 2.95 percent per annum (2010: between 0.10 and 0.75 percent per annum).

9. Trade and other receivables

| | (Unit: Thousand Baht) | |
|---|--|---------------|
| | Consolidated/Separate financial statements | |
| | <u>2011</u> | <u>2010</u> |
| <u>Trade receivables - related parties</u> | | |
| Aged on the basis of due dates | | |
| Not yet due | 56,769 | 70,042 |
| Total trade receivables - related parties | <u>56,769</u> | <u>70,042</u> |

| | (Unit: Thousand Baht) | |
|---|---|----------------|
| | Consolidated/Separate financial statements | |
| | <u>2011</u> | <u>2010</u> |
| <u>Trade receivables - unrelated parties</u> | | |
| Aged on the basis of due dates | | |
| Not yet due | 247,949 | 181,487 |
| Past due | | |
| Up to 3 months | 71,034 | 110,444 |
| Over 3 - 6 months | 317 | - |
| Over 6 - 12 months | 30,559 | 9 |
| Over 12 months | 101,350 | 104,228 |
| Total | 451,209 | 396,168 |
| Less: Allowance for doubtful debts | (116,430) | (104,277) |
| Total trade receivables - unrelated parties, net | 334,779 | 291,891 |
| Total trade receivable - net | <u>391,548</u> | <u>361,933</u> |
| <u>Other receivables</u> | | |
| Other receivables - related party | 414 | 36,585 |
| Other receivables | 1,794 | 1,097 |
| Interest receivable | 841 | 233 |
| Total other receivables | 3,049 | 37,915 |
| Trade and other receivables - net | <u>394,597</u> | <u>399,848</u> |

The normal credit term granted by the Company for related parties is 60 - 120 days while credit term for other parties varies from 7 - 150 days.

10. Inventories

| | (Unit: Thousand Baht) | | | | | |
|--|--|------------------|-------------------------------------|-----------------|------------------|------------------|
| | Consolidated / Separate financial statements | | | | | |
| | Cost | | Decrease to net realisable value | | Inventories-net | |
| | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> |
| Raw materials | 1,166,780 | 1,274,158 | (32,152) | (9,687) | 1,134,628 | 1,264,471 |
| Work in process | 286,988 | 322,126 | (32,550) | (36,633) | 254,438 | 285,493 |
| Finished goods | 691,261 | 530,617 | (34,122) | (26,401) | 657,139 | 504,216 |
| Spare parts, factory supplies and scrap | 402,051 | 367,700 | - | - | 402,051 | 367,700 |
| Goods in transit | 1,038,914 | 958,427 | (28,522) | - | 1,010,392 | 958,427 |
| Total | <u>3,585,994</u> | <u>3,453,028</u> | <u>(127,346)</u> | <u>(72,721)</u> | <u>3,458,648</u> | <u>3,380,307</u> |

11. Advance payments for goods and services

In July 2008, the Company entered into forward raw material purchase contracts with two overseas companies, and made advance payments to these companies amounting to USD 28 million (approximately Baht 932 million). The Company received some of the raw materials in August and September 2008, leaving advance payments of USD 17.23 million (approximately Baht 572 million) for raw materials that had yet to be received. However, due to the impact of the economic crisis, the Company requested postponement of the delivery of remaining raw materials.

On 12 November 2009, the Company notified its suppliers to deliver the remaining raw materials per the contract within 30 November 2009, and that if they were not able to make delivery on schedule without notification of the reason for this to the Company, the Company would terminate the contracts and request the return of advance payments based on the current market price for the outstanding raw materials. However, the Company did not receive any contact from the suppliers regarding delivery of the raw materials, and so wrote off Baht 282 million of the advance payments for goods as bad debt expenses in the 2009, representing the excess of the value of the raw materials at the contract prices over their value at the market price as at the end of November 2009. The Company is pursuing collection of the remaining USD 8.7 million (approximately Baht 288 million) of advance payment from the two companies. As at 31 December 2009, the Company expects the remaining amounts will not be recoverable and has set aside full allowance for doubtful debt. During the second quarter of 2010, the counterparty paid CNY 8.16 million (approximately USD 1.18 million or approximately Baht 39 million) through the Company's overseas related company and the Company reversed allowance for doubtful debt in the same amount, the Company received the settlement from this related company in the first quarter of the current year.

Currently, the Company is in the process of pursuing the remaining debt and taking legal action.

12. Restricted bank deposits

These represent fixed deposits pledged with the banks to secure credit facilities.

13. Other long-term investment / Investment in subsidiary company

Details of investment in subsidiary as presented in separate financial statements are as follows:

(Unit: Thousand Baht)

| Company's name | Paid-up capital | | Shareholding percentage | | Cost | | Dividend received during the year | |
|----------------------------------|-----------------|--------|-------------------------|------|--------|--------|-----------------------------------|------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| | | | (%) | (%) | | | | |
| All Manage International Limited | 97,395 | 97,395 | 100 | 100 | 97,395 | 97,395 | - | - |
| Total | | | | | 97,395 | 97,395 | - | - |

Other long-term investment is 3,000,000 shares investment in Tycoons Steel International Co., Ltd., incorporated in the Cayman Islands, held by the Company's subsidiary totaling USD 3 million. TSI invested in Guang Lian Steel (Vietnam) Co., Ltd., in order to operate a steel refinery project in Vietnam.

14. Investments in an associate

14.1 Details of an associate:

(Unit: Thousand Baht)

| Company's name | Nature of business | Country of incorporation | Consolidated/Separate financial statements | | | | | |
|--------------------------|--------------------|--------------------------|--|------|---------|------|---|------|
| | | | Shareholding percentage | | Cost | | Carrying amounts based on equity method | |
| | | | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| | | | (%) | (%) | | | | |
| TY Steel Company Limited | Produce billet | Thailand | 49.76 | - | 104,500 | - | 90,840 | - |
| Total | | | | | 104,500 | - | 90,840 | - |

14.2 Share of loss

During the year, the Company has recognised its share of loss from investment in associate company in the consolidated financial statements as follows:

| Company's name | (Unit: Thousand Baht) | |
|--------------------------|--|-------------|
| | Consolidated | |
| | financial statements | |
| | Share of loss from investment in associate during the year | |
| | <u>2011</u> | <u>2010</u> |
| TY Steel Company Limited | (13,660) | - |
| Total | (13,660) | - |

14.3 Summarised financial information of associate

Financial information of the associated company is summarised below.

| Company's name | (Unit: Thousand Baht) | | | | | | | | | |
|--------------------------|-----------------------|-------------|--------------|-------------|-------------------|-------------|--------------------|-------------|--------------------|-------------|
| | Paid-up capital | | Total assets | | Total liabilities | | Total revenues | | Loss | |
| | as at | | as at | | as at | | for the year ended | | for the year ended | |
| | 31 December | | 31 December | | 31 December | | 31 December | | 31 December | |
| | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> |
| TY Steel Company Limited | 210,235 | - | 182,906 | - | 122 | - | - | - | (27,451) | - |

15. Property, plant and equipment

(Unit: Thousand Baht)

| Consolidated/Separate financial statements | | | | | | | |
|--|------------------------------|--|----------------------------|----------|--------------------------------------|--|-----------|
| | Land and land improvement | Building and attached facilities | Machinery and equipment | Vehicles | Furniture and office equipment | Assets under installation and construction | Total |
| Cost | | | | | | | |
| 1 January 2010 | 682,775 | 1,732,694 | 5,756,106 | 268,207 | 46,223 | 77,067 | 8,563,072 |
| Additions | 493 | 1,991 | 13,681 | 3,466 | 4,722 | 97,234 | 121,587 |
| Disposals | - | - | (8,711) | (5,386) | (827) | - | (14,924) |
| Transfers in (out) | 15,115 | 24,422 | 23,460 | 4,832 | 657 | (68,486) | - |
| 31 December 2010 | 698,383 | 1,759,107 | 5,784,536 | 271,119 | 50,775 | 105,815 | 8,669,735 |
| Additions | 133 | 4,822 | 49,957 | 10,323 | 3,464 | 39,394 | 108,093 |
| Disposals/write-off | - | - | (56,074) | (4,135) | (548) | - | (60,757) |
| Transfers in (out) | 7,875 | 13,015 | 103,799 | - | - | (124,689) | - |
| 31 December 2011 | 706,391 | 1,776,944 | 5,882,218 | 277,307 | 53,691 | 20,520 | 8,717,071 |
| Accumulated depreciation | | | | | | | |
| 1 January 2010 | 39,160 | 609,705 | 1,592,927 | 212,786 | 40,357 | - | 2,494,935 |
| Depreciation for the year | 4,117 | 65,052 | 142,723 | 34,842 | 3,444 | - | 250,178 |
| Depreciation on disposals | - | - | (7,763) | (5,239) | (809) | - | (13,811) |
| 31 December 2010 | 43,277 | 674,757 | 1,727,887 | 242,389 | 42,992 | - | 2,731,302 |
| Depreciation for the year | 4,719 | 65,499 | 234,211 | 13,159 | 2,967 | - | 320,555 |
| Depreciation on disposals/write-off | - | - | (36,219) | (3,922) | (516) | - | (40,657) |
| 31 December 2011 | 47,996 | 740,256 | 1,925,879 | 251,626 | 45,443 | - | 3,011,200 |
| Net book value | | | | | | | |
| 31 December 2010 | 655,106 | 1,084,350 | 4,056,649 | 28,730 | 7,783 | 105,815 | 5,938,433 |
| 31 December 2011 | 658,395 | 1,036,688 | 3,956,339 | 25,681 | 8,248 | 20,520 | 5,705,871 |
| Depreciation for the year | | | | | | | |
| 2010 (Baht 230 million included in manufacturing cost, and the balance in selling and administrative expenses) | | | | | | | 250,178 |
| 2011 (Baht 304 million included in manufacturing cost, and the balance in selling and administrative expenses) | | | | | | | 320,555 |

In 2011, the Company reviewed and changed the accounting estimates for unit of production of main machinery and equipment used in production. The change is applied prospectively as from 1 January 2011, and has an effect of decreasing the Company's profit for the year ended 31 December 2011 by Baht 65 million, or by Baht 0.11 per share.

As at 31 December 2011, the Company had vehicles under finance lease agreements with net book value amounting to Baht 5 million.

As at 31 December 2011, certain plant and equipment items have been fully depreciated but are still in use. The gross carrying amount of those assets amounted to approximately Baht 841 million (2010: Baht 334 million).

The Company has mortgaged most of its property, plant and machinery with banks as collateral for short-term and long-term credit facilities granted by commercial banks.

16. Intangible assets

| | (Unit: Thousand Baht) Consolidated/Separate financial statements |
|--------------------------------------|--|
| <u>Computer software</u> | |
| As at 31 December 2011 | |
| Cost | 2,799 |
| <u>Less</u> Accumulated amortisation | (2,562) |
| Net book value | <u>237</u> |

| | |
|--------------------------------------|------------|
| As at 31 December 2010 | |
| Cost | 2,649 |
| <u>Less</u> Accumulated amortisation | (2,206) |
| Net book value | <u>443</u> |

A reconciliation of the net book value of intangible assets for the years 2011 and 2010 is presented below.

| | (Unit: Thousand Baht) Consolidated/Separate financial statements | |
|-------------------------------------|--|-------------|
| | <u>2011</u> | <u>2010</u> |
| Net book value at beginning of year | 443 | 1,009 |
| Acquisition of computer software | 150 | 42 |
| Amortisation | (356) | (608) |
| Net book value at end of year | <u>237</u> | <u>443</u> |

17. Short-term loans from financial institutions

| (Unit: Thousand Baht) | | | |
|--|--------------------------------------|---|------------------|
| | Interest rate (percent per annum) | Consolidated/Separate financial statements | |
| | | <u>2011</u> | <u>2010</u> |
| Short-term loans from financial institutions | 1.19% -1.81% | 2,166,446 | 1,149,299 |
| Total | | <u>2,166,446</u> | <u>1,149,299</u> |

Short-term loans from financial institutions are guaranteed by the Company's director, the ultimate parent company, pledged of fixed deposits as described in Note 12 to the financial statements and mortgaged of most of its property, plant and machinery as described in Note 15 to the financial statements.

18. Trade and other payables

| (Unit: Thousand Baht) | | |
|--|--|------------------|
| | Consolidated /Separate financial statements | |
| | <u>2011</u> | <u>2010</u> |
| Trade payables - related parties | 18,833 | 60,658 |
| Trade payables - unrelated parties | 601,156 | 1,200,521 |
| Other accounts payable - related parties | - | 45 |
| Interest payable | 12,302 | 12,698 |
| Accrued expenses | 98,346 | 122,235 |
| Total trade and other payables | <u>730,637</u> | <u>1,396,157</u> |

19. Long-term loans

| | | | (Unit: Thousand Baht) | |
|-----------------------|--------------------------------|--|---|------------------|
| Loan | Interest rate (% per annum) | Repayment schedule | Consolidated/Separate financial statements | |
| | | | <u>2011</u> | <u>2010</u> |
| 1 | Average MLR-0.75 | Semi-annual installments as from January 2007 totaling 13 installments | 864,000 | 1,140,000 |
| 2 | MLR-1.50 | Semi-annual installments as from October 2007 totaling 11 installments | 120,000 | 185,000 |
| 3 | BKIBOR+0.50 | Semi-annual installments as from October 2010 totaling 10 installments | 150,000 | 250,000 |
| Total | | | <u>1,134,000</u> | <u>1,575,000</u> |
| Less: Current portion | | | <u>(332,000)</u> | <u>(610,000)</u> |
| Net | | | <u>802,000</u> | <u>965,000</u> |

The long-term loans are guaranteed by the Company's director, the ultimate parent company, the pledged of fixed deposits as described in Note 12 to the financial statements and the mortgaged of most of its property, plant and equipment as described in Note 15 to the financial statements.

On 21 June 2011 the Company received the consent letter from bank approving the extension of the last repayment of the syndicate loan (loan 1) from 31 January 2013 to 31 January 2016 and approving the extension of the last repayment of loan (loan 2) with another bank from 2012 to 2014.

Some loan agreements contain covenants relating to, among other matters, the maintenance of certain financial ratios and the shareholding percentage of the major shareholder.

20. Provision for loss from raw material purchase contracts

As at 31 December 2011, the Company set aside provision totaling Baht 25 million for losses expected to be incurred from non-cancellable raw material purchase contracts and presented this as "provision for loss from raw material purchase contracts" in other current liabilities in statements of financial position. Such provision is the estimated amount of the unavoidable costs of meeting obligations under the contracts, less the economic benefits expected to be received under them.

21. Provision for long-term employee benefits

Provision for long-term employee benefits as at 31 December 2011, which is compensations on employees' retirement, was as follows:

| | (Unit: Thousand Baht) |
|---|--|
| | Consolidated /Separate financial statements |
| Cumulative effect of change in accounting policy for employee benefits adjusted against beginning balance of retained earnings (Note 3) | 10,129 |
| Current service cost | 1,160 |
| Interest cost | 382 |
| Benefits paid during the year | - |
| Balance at end of year | 11,671 |

Long-term employee benefit expenses included in the profit or loss for the year ended 31 December 2011 amounted to Baht 1.5 million.

| | Consolidated /Separate financial statements |
|--|--|
| | (% per annum) |
| Discount rate | 3.9 |
| Future salary increase rate (depending on age) | 5 |
| Staff turnover rate | 28.3 |

22. Treasury stock/share capital

22.1 On 17 November 2005, the Board of Directors of the Company approved a program to buy back up to 25 million of its own shares (par value of Baht 10 each), or 3.98 percent of the total number of shares in issue, with a budget limit of Baht 230 million, for the purpose of managing excess liquidity. The shares were to be bought back through the Stock Exchange of Thailand during 1 December 2005 to 31 May 2006, and can be resold after 6 months after the date that treasury share buy back is complete but within 3 years or 16 May 2010. In the event that the Company does not or is unable to dispose of the treasury shares within such period, the Company will reduce its paid-up share capital by cancelling the remaining unsold treasury shares.

On 1 June 2009, the Board of Director's Meeting passed a resolution to approve a reduction in registered and paid-up share capital by cancelling the 24,996,100 unsold treasury shares with a par value of Baht 10 each, or a total amount of Baht 249,961,000 by decreasing the Company's registered and paid-up capital from Baht 6,285,000,000 to Baht 6,035,039,000. The Company registered the capital reduction with the Ministry of Commerce on 10 June 2009. Moreover, the Company has already reversed treasury stocks reserve amounting to Baht 209,566,168 to unappropriated retained earnings.

22.2 On 27 October 2011, a meeting of the Company's Board of Directors passed a resolution to repurchase its shares for financial management purposes. The maximum budget for the share repurchase is Baht 100 million, with 13,140,000 shares with a par value of 10 Baht per share to be repurchased. This represents 2.18% of the total shares in issue. The repurchase period will run from 11 November 2011 to 10 May 2012, and can be resold after 6 months after the date that treasury share buy back is complete but within 3 years. In the event that the Company does not or is unable to dispose of the treasury shares within such period, the Company will reduce its paid-up share capital by cancelling the remaining unsold treasury shares.

Details of treasury stock are as follows:

| | Consolidated/Separate financial statements |
|---|---|
| Value of treasury stock (Baht) | 1,927,105 |
| Number of treasury shares (shares) | 264,800 |
| Average cost per share (Baht) | 7.28 |
| The percentage of number of treasury shares to the share capital issued by the Company | 0.04 |

23. Transfer of statutory reserve, premium on share capital and premium on treasury stock to offset deficit

The Company's Extraordinary Shareholders Meeting No. 1/2553, held on 16 November 2010, passed a resolution to transfer Baht 90,122,577 from the statutory reserve, Baht 651,599,475 of premium on share capital and Baht 40,394,832 of premium on treasury stock in order to offset the deficit presented in the audited financial statements as at 31 December 2009. The Company recorded the transfer between these accounts in 2010. The transactions comprise only movements between accounts in shareholders' equity, and have no effect to shareholders' equity of the Company as a whole.

24. Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside to a statutory reserve at least 5 percent of its net income after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of the registered capital. The statutory reserve is not available for dividend distribution.

25. Treasury stock reserve

Under the notification of the Office of the Securities and Exchange Commission No. Gor. Lor. Tor. Chor. Sor. (Wor.) 2/2548 and the notification of the Federation of Accounting Professions No. Sor. Sor. Wor. Bor. Chor. 016/2548 public companies buying back their own shares (treasury shares) must have retained earnings in an amount not less than the outstanding balance of the treasury shares, and if retained earnings are appropriated for dividend payment, the balance of retained earnings remaining after such payment must likewise be no less than the balance of the treasury shares. The Company proceeded in accordance with these guidelines and appropriated an amount of retained earnings to the treasury stock reserve equal to the amount paid to acquire the shares.

26. Expenses by nature

Significant expenses by nature are as follow:

| | (Unit: Thousand Baht) | |
|---|---|-------------|
| | Consolidated/Separate financial statements | |
| | <u>2011</u> | <u>2010</u> |
| Salary and wages and other employee benefits | 222,236 | 195,636 |
| Depreciation and amortisation | 334,887 | 263,852 |
| Transportation expenses | 198,379 | 188,795 |
| Raw materials and consumables used | 6,426,223 | 3,820,127 |
| Changes in inventories of finished goods and work in progress | (125,506) | 91,330 |

27. Corporate income tax

The Company is not liable to corporate income tax for the year due to tax loss brought forward from prior years in excess of income for the year.

28. Basic earnings per share

Basic earnings per share is calculated by dividing profit for the year attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares held by outsiders in issue during the year net of treasury stock.

| | (Unit: share) | |
|--|--------------------|--------------------|
| | <u>2011</u> | <u>2010</u> |
| Issued ordinary shares at 1 January | 603,503,900 | 603,503,900 |
| Effect of treasury stock held (Note 22) | (15,864) | - |
| Weighted average number of ordinary shares at 31 December | <u>603,488,036</u> | <u>603,503,900</u> |

| | Consolidated financial statements | | Separate financial statements | |
|---|--------------------------------------|-------------|----------------------------------|-------------|
| | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> |
| Profit for the period (Thousand Baht) | 232,624 | 391,961 | 246,284 | 391,961 |
| Weighted average number of ordinary shares (Thousand shares) | 603,488 | 603,504 | 603,488 | 603,504 |
| Earnings per share (Baht/share) | 0.39 | 0.65 | 0.41 | 0.65 |

29. Promotional privileges

The Company has received promotional privileges from the Board of Investment for the manufacture of steel wire rods, steel annealing wire and steel screw, pursuant to the promotion certificate No. 1672/1996 issued on 11 October 1996 and the manufacture of bolt & nut and screw, pursuant to the promotion certificate No. 1181/2003 issued on 9 April 2003. Subject to certain imposed condition, the privileges include an exemption from corporate income tax for a period of 8 years from the date the promoted operations commenced generating revenues (17 December 1998 and 9 August 2005 respectively) and a 50% reduction of corporate income tax on income derived from the promoted operations for a period of 5 years after the tax-exemption period ends.

The Company's operating revenues for the years are below shown divided according to promoted and non-promoted operations.

| (Unit: Thousand Baht) | | | | | |
|-----------------------|-------------------------|-------------------------|-------------------------|-------------------------|---|
| | Promoted operations | | Non-promoted operations | | Total |
| | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> | <u>2011</u> <u>2010</u> |
| Sales | | | | | |
| Domestic sales | 54,251 | 45,674 | 3,503,113 | 2,046,537 | 3,557,364 2,092,211 |
| Export sales | <u>1,730,700</u> | <u>1,091,001</u> | <u>3,392,813</u> | <u>2,949,670</u> | <u>5,123,513</u> <u>4,040,671</u> |
| Total sales | <u><u>1,784,951</u></u> | <u><u>1,136,675</u></u> | <u><u>6,895,926</u></u> | <u><u>4,996,207</u></u> | <u><u>8,680,877</u></u> <u><u>6,132,882</u></u> |

30. Segment information

The Company and its subsidiary business operations involve four principal segments: (1) manufacture steel wire rods (2) manufacture steel annealing wire (3) manufacture screw and bolt and (4) trading. These operations are mainly carried on in Thailand. Below is the financial information for the year ended 2011 and 2010 by segment.

(Unit: Million Baht)

| | Manufacture Steel wire rods | | Manufacture Steel annealing wire | | Manufacture Screw and bolt | | Trading | | Total | |
|---|--------------------------------|--------------|-------------------------------------|--------------|-------------------------------|--------------|-------------|--------------|--------------|--------------|
| | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> |
| Domestic sales | 3,345 | 1,946 | 149 | 105 | 43 | 36 | 21 | 5 | 3,558 | 2,092 |
| Export sales | 793 | 456 | 1,681 | 1,213 | 1,825 | 1,128 | 824 | 1,244 | 5,123 | 4,041 |
| Total revenues | <u>4,138</u> | <u>2,402</u> | <u>1,830</u> | <u>1,318</u> | <u>1,868</u> | <u>1,164</u> | <u>845</u> | <u>1,249</u> | <u>8,681</u> | <u>6,133</u> |
| Segment operating income (loss) | 214 | 251 | 99 | 145 | 104 | (202) | 13 | 8 | 430 | 202 |
| Unallocated income and expenses: | | | | | | | | | | |
| Gain (loss) on exchange rate | | | | | | | | | (17) | 164 |
| Interest income | | | | | | | | | 20 | 5 |
| Other income | | | | | | | | | 23 | 31 |
| Loss on derivatives | | | | | | | | | (15) | (16) |
| Reversal of (decrease of) inventory to net realisable value | | | | | | | | | (60) | 120 |
| Reversal of (loss from) raw material purchase contract | | | | | | | | | (25) | 6 |
| Finance cost | | | | | | | | | (109) | (120) |
| Share of loss from investment in associate | | | | | | | | | (14) | - |
| Profit for the year | | | | | | | | | <u>233</u> | <u>392</u> |

(Unit: Million Baht)

| | Manufacture Steel wire rods | | Manufacture Steel annealing wire | | Manufacture Screw and bolt | | Trading other Operations | | Total | |
|-------------------------------|--------------------------------|-------------|-------------------------------------|-------------|-------------------------------|-------------|-----------------------------|-------------|---------------|---------------|
| | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> |
| Property, plant and equipment | 2,855 | 2,925 | 741 | 767 | 1,343 | 1,383 | 767 | 863 | 5,706 | 5,938 |
| Unallocated assets | | | | | | | | | <u>4,792</u> | <u>4,383</u> |
| Total assets | | | | | | | | | <u>10,498</u> | <u>10,321</u> |

31. Provident fund

The Company and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both the Company and employees contributed to the fund monthly at the rate of 4 and 2 percent of basic salary respectively. The fund, which is managed by Kasikorn Asset Management Co., Ltd., will be paid to employees upon termination in accordance with the fund rules. During the year 2011, the Company contributed Baht 1.9 million (2010: Baht 1.9 million) to the fund.

32. Commitments and contingent liabilities

As at 31 December 2011, the Company had the following outstanding commitments and contingent liabilities.

32.1 Investing commitments

The Company has uncalled portions of investment in an associate company registered in Thailand, totaling Baht 104.5 million.

32.2 Capital commitments

The Company had capital commitments amounting of approximately Baht 2 million in relating to acquisitions of machinery and Baht 1 million in relating to building improvement.

32.3 Raw material purchase commitments

The Company had raw material purchase commitments amounting of USD 45 million. The materials will be shipped to the Company within 90-180 days from the contract date.

32.4 Guarantees

There were outstanding bank guarantees of approximately Baht 46 million issued by banks on behalf of the Company in respect of certain performance bonds for electricity and others.

33. Financial instruments

33.1 Financial risk management

The Company's financial instruments, as defined under Thai Accounting Standard No. 107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade and other receivables, restricted bank deposits, other long-term investment, trade and other payables, short-term and long-term loans and liabilities under hire purchase agreement. The financial risks associated with these financial instruments and how they are managed is described below.

Credit risk

The Company is exposed to credit risk primarily with respect to trade accounts receivable. The Company manages the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses. In addition, the Company does not have high concentration of credit risk since it has a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of trade accounts receivable as stated in the statement of financial position.

Interest rate risk

The Company's exposure to interest rate risk relates primarily to its cash at banks, short-term and long-term borrowings. However, since most of the Company's financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate, the interest rate risk is expected to be minimal.

Significant financial assets and liabilities as at 31 December 2011 classified by type of interest rates are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

(Unit: Million Baht)

| | Consolidated financial statements | | | | | |
|---|-----------------------------------|-------|----------------|----------|-------|--------------------|
| | Fixed interest rates | | Floating | Non- | | Effective |
| | Within | 1 - 5 | interest | interest | | |
| | 1 year | years | rate | bearing | Total | interest rate |
| <u>Financial Assets</u> | | | (Million Baht) | | | (% p.a.) |
| Cash and cash equivalent | 100 | - | 449 | - | 549 | 0.75-2.95 |
| Trade and other receivables | - | - | - | 395 | 395 | - |
| Restricted bank deposits | 86 | - | - | - | 86 | 2.05-2.60 |
| Other long-term investment | - | - | - | 95 | 95 | - |
| | 186 | - | 449 | 490 | 1,125 | |
| <u>Financial liabilities</u> | | | | | | |
| Trade and other payables | - | - | - | 731 | 731 | - |
| Liabilities under hire purchase agreement | 1 | 2 | - | - | 3 | 2.05-2.80 |
| Short-term loans | - | - | 2,166 | - | 2,166 | 1.19-1.81 |
| Long-term loans | - | - | 1,134 | - | 1,134 | Average MLR - 0.75 |
| | | | | | | MLR - 1.5 and |
| | | | | | | BKIBOR + 0.50 |
| | 1 | 2 | 3,300 | 731 | 4,034 | |
| | | | | | | |
| | Separate financial statements | | | | | |
| | Fixed interest rates | | Floating | Non- | | Effective |
| | Within | 1 - 5 | interest | interest | | |
| | 1 year | years | rate | bearing | Total | interest rate |
| <u>Financial Assets</u> | | | (Million Baht) | | | (% p.a.) |
| Cash and cash equivalent | 100 | - | 449 | - | 549 | 0.75-2.95 |
| Trade and other receivables | - | - | - | 395 | 395 | - |
| Restricted bank deposits | 86 | - | - | - | 86 | 2.05-2.60 |
| | 186 | - | 449 | 395 | 1,030 | |
| <u>Financial liabilities</u> | | | | | | |
| Trade and other payables | - | - | - | 731 | 731 | - |
| Liabilities under hire purchase agreement | 1 | 2 | - | - | 3 | 2.05-2.80 |
| Short-term loans | - | - | 2,166 | - | 2,166 | 1.19-1.81 |
| Long-term loans | - | - | 1,134 | - | 1,134 | Average MLR - 0.75 |
| | | | | | | MLR - 1.5 and |
| | | | | | | BKIBOR + 0.50 |
| | 1 | 2 | 3,300 | 731 | 4,034 | |

Foreign currency risk

The Company's exposure to foreign currency risk arises mainly from trading transactions that are denominated in foreign currencies. The Company seeks to reduce this risk by entering into forward exchange contracts when it considers appropriate. Generally, the forward contracts mature within one year.

The balances of financial assets and liabilities denominated in foreign currencies as at 31 December 2011 were summarised below.

| Foreign currency | Financial assets | Financial liabilities | Average exchange rate as at 31 December 2011 |
|------------------|------------------|-----------------------|--|
| | (Million) | (Million) | (Baht per 1 foreign currency unit) |
| USD | 16.63 | 82.56 | 31.6912 |
| EURO | 0.89 | - | 41.0274 |
| TWD | - | 19.09 | 1.0472 |

Forward exchange contracts outstanding at 31 December 2011 were summarised below.

| Contract | Foreign currency | Amount | Contractual exchange rate | Contractual maturity date |
|----------------------|------------------|-----------|------------------------------------|-----------------------------------|
| | | (Million) | (Baht per 1 foreign currency unit) | |
| Contract to purchase | USD | 64.69 | 30.92 - 31.82 | 9 January 2012 - 27 February 2012 |
| Contract to sell | USD | 10.14 | 30.18 - 30.91 | 9 January 2012 - 29 February 2012 |
| Contract to sell | EURO | 2.20 | 41.26 - 41.11 | 15 March 2012 - 27 March 2012 |

Option contracts outstanding at 31 December 2011 are summarised below.

| Contract | Amount | Contractual exchange rate | Contractual maturity date |
|------------------|---------------|---------------------------|---------------------------|
| | (USD million) | (Baht per 1 USD) | |
| Sell call option | 4.00 | 30.78 | 2 February 2012 |

33.2 Fair values of financial instruments

Since the majority of the Company's financial instruments are short-term in nature or bear floating interest rates, their fair value is not expected to be materially different from the amounts presented in the statements of financial position.

A fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The fair value is determined by reference to the market price of the financial instrument or by using an appropriate valuation technique, depending on the nature of the instrument.

34. Capital management

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

The Group manages its capital position with reference to its debt-to-equity ratio. As at 31 December 2011, the Group's debt-to-equity ratio was 0.66:1 (2010: 0.69:1) and the Company's was 0.65:1 (2010: 0.69:1).

35. Event after the reporting date

On 6 January 2012, a meeting of the Board of Directors of TY Steel Co., Ltd. (its associate) passed a resolution to increase registered share capital of TY Steel Co., Ltd. from Baht 420 million (42,000,000 shares at a par value of Baht 10 per share) to Baht 840 million (84,000,000 shares at a par value of Baht 10 per share). The Company will make an additional investment totaling Baht 209 million in such company in line with its 49.76% shareholding.

36. Reclassification

To comply with the Notification of the Department of Business Development relating to the financial statement presentation as described in Note 2.1 and as the result of the adoption of revised and new accounting standards as described in Note 3, certain amounts in the financial statements for the year ended 31 December 2010 have been reclassified to conform to the current year's classification, without any effect to the previously reported profit or shareholders' equity.

37. Approval of financial statements

These financial statements were authorised for issue by the Company's authorised directors on 24 February 2012.



รายงานคณะกรรมการตรวจสอบ

คณะกรรมการตรวจสอบได้สอบทานงบการเงินรวมของบริษัทและบริษัทย่อยประจำปี 2554 ร่วมกับผู้สอบบัญชี เพื่อนำเสนอต่อคณะกรรมการบริษัทรับทราบรายงานการตรวจสอบ ประชุมหารือร่วมกับฝ่ายที่เกี่ยวข้องสอบทานการปฏิบัติตามข้อกำหนด และกฎหมายรวมทั้งพิจารณาการเปิดเผยข้อมูลรายการที่เกี่ยวข้องกันให้เป็นไปตามเกณฑ์ตลาดหลักทรัพย์แห่งประเทศไทย

คณะกรรมการตรวจสอบได้พิจารณางบการเงินดังกล่าวมีความเห็นว่า บริษัทมีการจัดทำรายงานทางการเงินเป็นไปตามมาตรฐานบัญชีที่รับรองทั่วไป มีการเปิดเผยข้อมูลเพียงพอ มีระบบการควบคุมภายใน ระบบตรวจสอบภายใน และระบบบริหารความเสี่ยงที่น่าพอใจ ไม่มีข้อที่ต้องปรับปรุงอย่างเป็นสาระสำคัญ

(นายพิพัฒน์ หวังพิชิต)

กรรมการตรวจสอบ

(นายสุรพล ขวัญใจชัยญา)

ประธานคณะกรรมการตรวจสอบ

(นายจิรวุฒิ หวาง)

กรรมการตรวจสอบ

REPORT OF THE AUDIT COMMITTEE

The audit committee jointly reviewed the 2011 annual consolidated financial statements with the certified public accountant for presentation to the board of directors for acknowledgement; discussed with relevant parties at meetings; reviewed compliance to the provisions and laws; and deliberated on information disclosure of related items in conformity with provisions of the Securities Exchange of Thailand.

The audit committee reviewed the respective financial statements and has an opinion that the company prepared financial statements in accordance with generally accepted accounting standards; adequately disclosed information; maintained regulating and supervisory system; internal audit and risk management system is satisfactory with no significant discrepancies are observed.

(Mr.Phiphat Wangphichit)
Audit Committee

(Mr.Surabhon Kwunchaithunya)
Audit Committee Chairman

(Mr.Jirawat Huang)
Audit Committee

TYC  *NS*
