

ทุกวันต้องดีกว่าเมื่อวาน  
**Better than yesterday, everyday**

*Annual Report 2009*  
*M.C.S. Steel Public Co., Ltd.*



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# **Message from the Chairman**



In 2009, as expected, the global economy went through a turbulent phase, as the fallout of the financial crisis continued to affect businesses. However, 2009 turned out to be a record breaking year for us, with revenue topping 4 billion baht (exports to Japan topped 10 billion Yen) for the first time in company history and profit reaching 586 million baht, a 67% increase year on year. It should be noted however, that this was mostly due to cost cutting measures, favourable exchange rate movements, and most significantly, the purchase of raw materials at advantageous rates owing to a one off timing gap in material prices which we were able to exploit. Whilst we are pleased with our 2009 results, which were the result of continuous years of effort, we believe in long term performance and growth, and will be aiming to sustain our success.

At present we have a backlog of Japanese works until June 2011 totalling around 67,000 tons of work, (in 2010 alone we have no less than 40,000 tons of Japanese works in hand) in addition to Taiwanese bridge work and one domestic work. We are also expected to have some additional domestic infrastructural work. Nonetheless, we foresee economic uncertainty continuing in the near future, and believe that this will constitute a considerable external influence on our operations.

Many people are forecasting a brighter outlook for 2010, but in our view a number of fundamental problems remain, and developed countries in particular will struggle to get their economies back on track. As for Thailand, additional problems include prolonged domestic political instability, and possible completion from neighbouring countries after the FTA signed up to between the ASEM nations. To combat these problems, we have carefully considered our options and have come up with the following steps to strengthen our position over the next 5 – 10 years.

## **1.Application for S grade certification from Japan**

There are currently nearly 3000 fabricators in Japan, of which 200 are H (High) grade certified (like MCS), and 10 of which are active S (Super) grade certified. No foreign fabricators has ever received S grade certification

or ever made such application due to the rigorous requirements for the certification, including high quality and professional personnel standards, requirement for in house technical research, requirements in relation to contributions to the fabrication industry, and attendance at various meetings. However, we believe that becoming S grade certified will give us an enormous competitive edge, and that we will be able to take on any fabrication project in Japan without the restrictions which currently apply to H grade fabricators.

We believe the timing is right to proceed with the application, and we have already begun expanding our facilities to cope with the requirements. We have also signed a 3 year contract with Kyoto University in Japan to engage in various research projects, and to prepare papers which will be presented at the annual convention in Japan during late summer. We have also entered into an agreement with Kajima Construction Company to jointly conduct new fabrication method testing in our new facilities.

We have also hired a consultant in Japan to represent MCS at necessary meetings, and have established a welding training institute to ensure the availability of highly skilled welders. We will submit our application by 4Q of this year and expect to be examined in 1Q of 2011

## **2. Expand into bridge fabrication work**

As a fabricator in this region, it is a necessity to have the capacity to carry out bridge fabrication work. However, historically, we have paid less attention to such work due to our heavy emphasis on building structural work. We believe that it is now time for us to diversify into this area, and therefore we have put up a facility with a crane lifting capacity of 100 tons and a 1000 ton press machine so as to cope with the requirements for such fabrication work. At present we have an agreement with a Taiwanese company to work on their bridge work starting from the middle of this year.

## **3. Obtaining raw material/energy related projects through our Chinese facilities**

Thus far, our investment in China has been a headache for us, but having pumped in considerable resources into our Chinese facilities, we believe that they are now much better equipped to work on foreign projects than before. Our Kumsan facility now has been AISC and EU certified, and our Xiamen facility has been H-grade and EU certified. Now that our facilities are in place, we are in a position to, and will be aggressively promoting our services and looking to capture new projects. This will eventually diversify our work into raw material/ energy related projects, due to requirements from newly developed countries which require new facilities, and developed countries which require replacement of old facilities. Since all major engineering companies all place a sourcing centre in China, it is the best place to promote our company. Moreover, it is always important for us to diversify our work out from the Japanese market

Since this company has been established, the company motto has been “better than yesterday, everyday”. We realize that to survive in this fast growing and ever changing world, the only thing we want to make sure is

to always be better than before. Indeed, we might have to face challenges we have never faced before, but we believe that in adhering to our cherished principle, we will be able to steer ourselves through the troubled waters that lie ahead.

We have always allocated a big budget to training, and will continue to do so this year. In addition to the welding training institute mentioned above, additional funds will go to foreign language, ISO 18001, ISO 17025 program, computer skill, and IT communication training. We will also continue to send two staff to Japan for training, and we are accepting staff for our China facility (to be trained here in our Thai facility).

Finally, I would like to show my appreciation to the members of the board of directors as well as the management team and employees of this company. Every effort has been made to overcome the difficulties we have had to face. Whilst there can be no doubt that troubles lie ahead, I have every confidence, that with the full cooperation and commitment of all involved with the company, we will be able to overcome any obstacle and emerge as an even better company.

Dr.Naiyuan Chi

Chairman

M.C.S. Steel Public Company Limited

# **Corporate Information**



Name of company	M.C.S. Steel Public Company Limited
Public company registered	0107548000048
Registered capital	500,000,000,Baht ( fully paid up ) comprises 500,000,000 shares with 1 Baht of par value.

## **Head office and Factory**

70 Moo 2 Changyai Bangsai Ayutthaya

Tel : 035-283191-4 Fax : 035-283199 , 035-283314

Website : [www.mcssteel.com](http://www.mcssteel.com)

E-mail : [info@mcssteel.co.th](mailto:info@mcssteel.co.th)

## **Other Reference**

### **A) Registrar**

Thailand Securities Depository Co.,Ltd.  
2/7 M.4 ( North Park ) Vipavadee Rangsit Road  
Tungsonghong , Laksee , Bangkok  
Tel : +66(0)2596-9000

### **B) Auditor**

Ms.Wannisa Ngambuathong  
Certified Public Accountant Registration No. 6838  
Dharmniti Auditing Co.,Ltd.  
267/1 Pracharaj sai 1 Road, Bangseu,  
Bangseu ,Bangkok 10800  
Tel : +66(0)2587-8080

### **C) Law Advisor**

Dharmniti Law Office Co.,Ltd.  
4th Floor, Nai Lert Tower, 2/4 Wireless Road,  
Lumphini, Pathumwan, Bangkok 10330  
Tel : +66(0)2252-1260

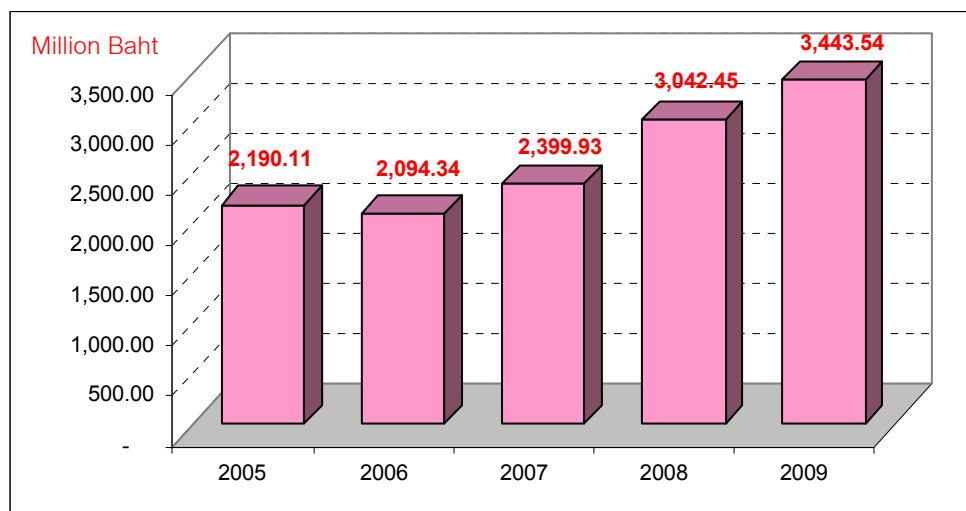
### **D) Bank**

Bangkok Bank – Head Office ( Silom )  
Bangkok Bank – Pratunam Pra-In

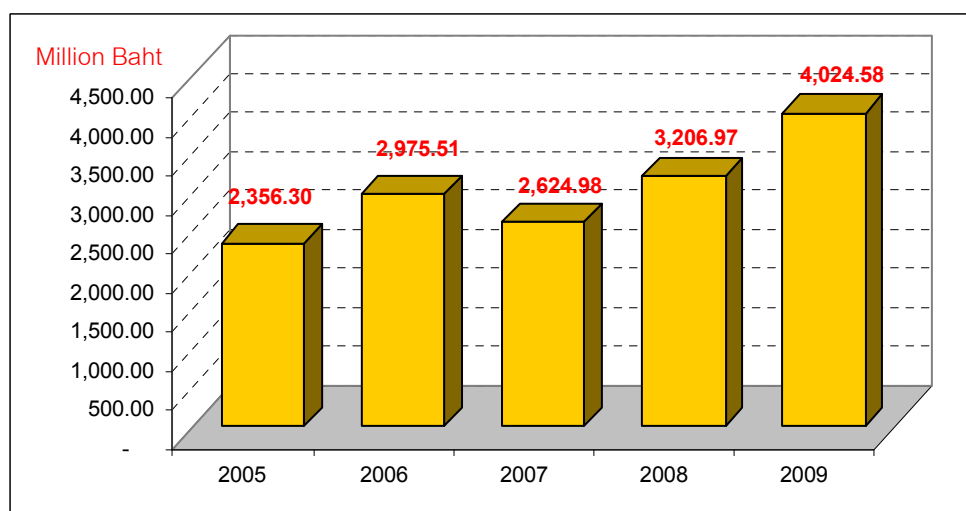
# **Financial Highlight**

## **(equity method)**

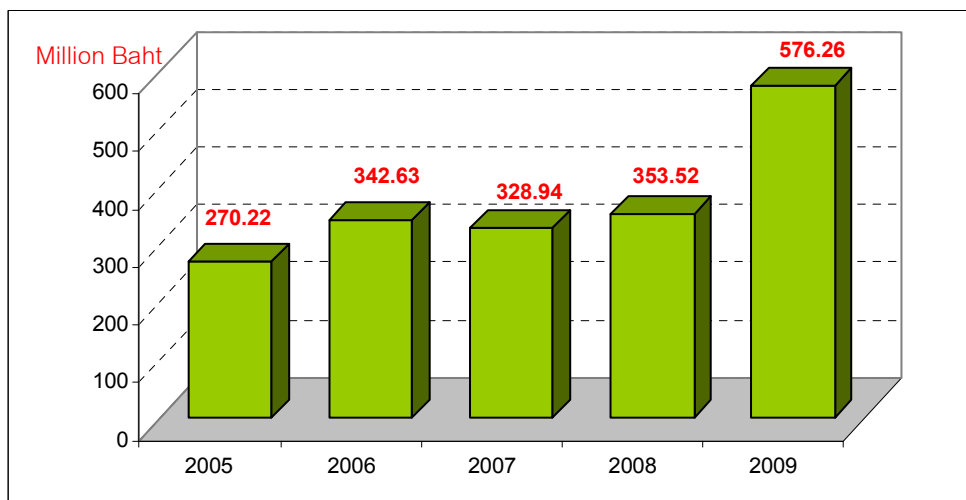
### Total Assets



### Total Revenues



### Net Profit





Unit : Million Baht

	2005	2006	2007	2008	2009
Total Assets	2,190.11	2,094.34	2,399.93	3,042.45	3,443.54
Total Liabilities	1,169.27	918.65	1,061.31	1,501.02	1,525.17
Shareholder ' s Equity	1,020.84	1,175.69	1,338.62	1,541.44	1,918.37
Sales Revenues	2,286.30	2,881.18	2,545.43	3,145.68	3,945.93
Total Revenues	2,356.30	2,975.51	2,624.98	3,206.97	4,024.58
Net Profit (Loss)	270.22	342.63	328.94	353.52	576.26
Net Profit Margin (%)	11.47	11.51	12.52	11.01	14.32
Return on Shareholder 's Equity (%)	33.06	31.20	26.17	24.55	33.31
Return on Total Assets (%)	15.55	15.99	14.63	12.99	17.77
Earnings (Loss) Per Share (Baht)	0.60	0.69	0.66	0.71	1.15
Dividend Per Share (Baht)	0.30	0.35	0.33	0.30	0.60
Book Value Per Share (Baht)	2.04	2.35	2.68	3.08	3.84

Remark : Financial Statement By (equity method)

# **Management Explanation and Analysis**

According to 2009 for financial statements in which the equity method is applied ( 1 January – 31 December 2009 ), a total sales was 4,024.58 Million Baht, increased 817.61 Million Baht from previous year and a net profit was 576.26 Million Baht . In Year 2009 ,the company has export sales for 44,988.87 tons and not have domestic sales.

As of December 31, 2009 , the company total assets was 3,443.54 Million Baht ,increased from the previous 401.09 Million Baht ,While total liabilities was 1,525.17 Million Baht increased 24.15 Million Baht and shareholder 's equity was 1,918.37 Million Baht increased 376.93 Million Baht from previous year.

The net value of company property , plant and equipment , which composed of lands , buildings and constructions , machine , tools and equipments and under construction assets was 607.97 Million Baht increased 30.50 Million Baht ( Details as in Accounting Note 9 of Financial Statement )

## **Board of Directors**



### **Left to Right**

Dr. Naiyuan Chi

Chairman of Board Director

Mr. Sompong Metasatidsuk

Director

Mr. Phairat Viwatborvornwong

Director

Mr. Pornchai Phisarnanukunkit

Director



### **Left to Right**

Mr. Somyos Chiamchirungkorn

Independent Director and Chairman of Audit Committee

Police Lieutenant General Suwat Chanitthikul

Independent Director and Audit Committee

Mrs. Vibhada Chartikullavadhana

Independent Director and Audit Committee

# **Board of Directors and Top Managements**

## **DR.NAIYUAN CHI**

- Chairman of Board Director
- Executive Chairman
- The company ' s binding authority

1. Directorship	<ul style="list-style-type: none"> <li>▪ Induction since 2005</li> <li>▪ 3 consecutive directorship periods</li> </ul>
2. 2009 Meeting Attendance	<ul style="list-style-type: none"> <li>▪ 8/8 Board Director Meetings</li> </ul>
3. Stock Holding at December 31,2009	<ul style="list-style-type: none"> <li>▪ 123,451,400 Shares or 24.69 %</li> <li>Included spouse and immature children</li> </ul>
4. Qualification	<ul style="list-style-type: none"> <li>▪ Doctor of Engineering Kyoto University</li> <li>▪ Director Accreditation Program (DAP) Class 25th Year 2004</li> </ul>
5. Present Position	<ul style="list-style-type: none"> <li>▪ Director and President M.C.S. Steel – Japan Co., Ltd. ( Japan )</li> <li>▪ Chairman of Board Director Hua Yin Holding Co., Ltd. ( China )</li> <li>▪ Director Bestmate Property Co., Ltd</li> </ul>

## **MR.SOMPONG METASATIDSUK**

- Director
- President

1. Directorship	<ul style="list-style-type: none"> <li>▪ Induction since 2005</li> <li>▪ 3 consecutive directorship periods</li> </ul>
2. 2009 Meeting Attendance	<ul style="list-style-type: none"> <li>▪ 8/8 Board Director Meetings</li> </ul>
3. Stock Holding at December 31,2009	<ul style="list-style-type: none"> <li>▪ 6,945,100 Shares or 1.39 %</li> <li>Included immature children</li> </ul>
4. Qualification	<ul style="list-style-type: none"> <li>▪ Bachelor of Business Administration Kasem Bundit University</li> <li>▪ Director Accreditation Program (DAP) Class 19th Year 2004</li> <li>▪ Mini Master of Management Program Class 30th</li> </ul>
5. Present Position	<ul style="list-style-type: none"> <li>▪ Director Bestmate Property Co., Ltd</li> </ul>

**MR.SOMYOS CHIAMCHIRUNGKORN**

- Chairman of Audit Committee
- Independent Director

1. Directorship	<ul style="list-style-type: none"> <li>■ Induction since 2005</li> <li>■ 2 consecutive directorship periods</li> </ul>
2. 2009 Meeting Attendance	<ul style="list-style-type: none"> <li>■ 8/8 Board Director Meetings</li> <li>■ 6/6 Audit Committee Meetings</li> </ul>
3. Stock Holding at December 31,2009	<ul style="list-style-type: none"> <li>■ None</li> </ul>
4. Qualification	<ul style="list-style-type: none"> <li>■ Master of Business Administration Thammasart University</li> <li>■ Certificate of Director Certification Program (DCP) Class 7th Year 2001</li> </ul>
5. Present Position	<ul style="list-style-type: none"> <li>■ Advisor Kama Joint Venture Co., Ltd</li> <li>■ Independent Director Chao Praya Mahanakorn Public Co., Ltd.</li> <li>■ Chairman of Audit Committee Qualitech Public Co., Ltd.</li> </ul>

**POLICE LIEUTENANT GENERAL SUWAT CHANITTHIKUL**

- Audit Committee
- Independent Director

1. Directorship	<ul style="list-style-type: none"> <li>■ Induction since 2005</li> <li>■ 2 consecutive directorship periods</li> </ul>
2. 2009 Meeting Attendance	<ul style="list-style-type: none"> <li>■ 8/8 Board Director Meetings</li> <li>■ 6/6 Audit Committee Meetings</li> </ul>
3. Stock Holding at December 31,2009	<ul style="list-style-type: none"> <li>■ None</li> </ul>
4. Qualification	<ul style="list-style-type: none"> <li>■ Master of Development Administration ( Public Administration ) National Institute of Development Administration</li> <li>■ Certificate of Director Accreditation Program (DAP) Class 31st Year 2005</li> </ul>
5. Present Position	<ul style="list-style-type: none"> <li>■ Assistant Commander of Royal Thai Police</li> </ul>

**MRS.VIBHADA CHARTIKULLAVADHANA**

- Audit Committee
- Independent Director

1. Directorship	<ul style="list-style-type: none"> <li>■ Induction since 2005</li> <li>■ 2 consecutive directorship periods</li> </ul>
2. 2009 Meeting Attendance	<ul style="list-style-type: none"> <li>■ 8/8 Board Director Meetings</li> <li>■ 6/6 Audit Committee Meetings</li> </ul>
3. Stock Holding at December 31,2009	<ul style="list-style-type: none"> <li>■ None</li> </ul>
4. Qualification	<ul style="list-style-type: none"> <li>■ Master of Business Administration Kasetsart University</li> <li>■ Certificate of Director Accreditation Program (DAP) Class 31 Year 2005</li> </ul>

**MR.PORNCHAI PHISARNANUKUNKIT**

- Director
- Vice President of Production and Quality Assurance
- Manager : Production and Maintenance Department

1. Directorship	<ul style="list-style-type: none"> <li>■ Induction since October 2009</li> <li>■ 3 consecutive directorship periods</li> </ul>
2. 2009 Meeting Attendance	<ul style="list-style-type: none"> <li>■ 3/8 Board Director Meetings</li> </ul>
3. Stock Holding at December 31,2009	<ul style="list-style-type: none"> <li>■ None</li> </ul>
4. Qualification	<ul style="list-style-type: none"> <li>■ Bachelor of Industrial Technology in Structures King Mongkuts Institute of Technology North Bangkok</li> <li>■ Certificate of Director Accreditation Program (DAP) Class 42 Year 2005</li> </ul>

\*\* Retiring in the shareholders' meeting of 2009 and was appointed to the Board on November 9,2009 instead K.Pornpip who resigned from the Board

**MR.PHAIRAT VIWATBORVORNWONG**

- Director
- Vice President of Project Management and IT
- Manager : Estimate and Planning Department

1. Directorship	<ul style="list-style-type: none"> <li>■ Induction since 2007</li> <li>■ 2 consecutive directorship periods</li> </ul>
2. 2009 Meeting Attendance	<ul style="list-style-type: none"> <li>■ 8/8 Board Director Meetings</li> </ul>
3. Stock Holding at December 31,2009	<ul style="list-style-type: none"> <li>■ 10,000 shares or 0.002%</li> </ul>
4. Qualification	<ul style="list-style-type: none"> <li>■ Bachelor of Civil Engineering Rajamangala Institute of Technology Tewes</li> <li>■ Certificate of Director Accreditation Program (DAP) Class 70 Year 2008</li> </ul>

**MR. TSUNEO KAKUTA**

- Vice President of Engineering and R&D
- Manager : Foreign Coordinator Department

1. Stock Holding at December 31,2009	<ul style="list-style-type: none"> <li>■ None</li> </ul>
2. Qualification	<ul style="list-style-type: none"> <li>■ Bachelor of Sculpture Art Kyoto -Seika University Japan</li> </ul>

**MR.KIN LEONG LEE**

- Manager : Drawing Department

1. Stock Holding at December 31,2009	<ul style="list-style-type: none"> <li>■ 172,000 Shares or 0.034%</li> </ul>
2. Qualification	<ul style="list-style-type: none"> <li>■ Diploma of Architecture Ungku Omar Collage , Malaysia</li> </ul>

**MRS.ATTAPORN SANGPARINYA**

- Manager : Import-Export and Purchasing Department

1. Stock Holding at December 31,2009	■ 10,000 shares or 0.002%
2. Qualification	■ Bachelor of Business Administration ( Business Communication ) Rajamangala Institute of Technology – Bophit Phimuk Chakkrawat Campus
3. Relationship with other Executives	■ Sibling of Ms.Kanchalika Sangparinya ( Company Secretary )

**MS.WANNEE PAPUNGKORN**

Acting Manager : Internal Audit Department

1. Stock Holding at December 31,2009	■ 196,000 shares or 0.039%
2. Qualification	■ Master of Science ( Biochemical Technology King Mongkut 's University of Technology Thonburi

**MR.APICHAT PUTLA**

Manager : General Affairs & Personnel Department

1. Stock Holding at December 31,2009	■ None
2. Qualification	■ Bachelor of Business Administration ( Human Resource Management ) Phetburi WitthayalongKorn University Under the royal Patronage

**MR.SUMRUAY SORNNUWAT**

Manager : Information Technology Department

1. Stock Holding at December 31,2009	■ None
2. Qualification	■ Master of Science ( Information Technology ) King Mongkuit 's Institute of Technology North Bangkok



**MR.HIROAKI IJIRI**

- Manager : Quality Assurance Department

1. Stock Holding at December 31,2009	■ None
2. Qualification	■ Diploma Mechanical & Electric Osaka Municipal Miyakojima Industrial High School

**MS.MATTAWAN SRISAKDA**

- Manager : Accounting and Financial Department

1. Stock Holding at December 31,2009	■ 33,000 shares or 0.007%
2. Qualification	■ Bachelor of Business Administration ( Accounting ) Rangsit University

**MR. CHAIYASIT ARANYASATHAT**

- Manager : Safety, Health and Environment Department

1. Stock Holding at December 31,2009	■ None
2. Qualification	■ Master of Science ( Technology of Environmental Management ) Mahidol University

**MR.KATSUNORI NINOMIYA**

- Manager : Engineering and R&D Department

1. Stock Holding at December 31,2009	■ None
2. Qualification	■ Diploma of Electronic The Nasuseiho Senior High School

**MS.KANCHALIKA SANGPARINYA**

- Assistant to Manager of Management Section
- Company Secretary

1. Stock Holding at December 31,2009	■ 67,500 shares or 0.014%
2. Qualification	■ Master of Business Administration ( International Business Management ) Saint John University
3. Relationship with other Executives	■ Sibling of Mrs.Attaporn Sangparinya ( Manager : Import-Export and Purchasing Department )

# **Business Overview**



M.C.S. Steel Public Co., Ltd. ("Company") (formerly known as "M.C.S. International Co.,Ltd." and M.C.S. Hokoku Co.,Ltd.) was found in 1992 by a group of specialists in the steel and construction industry. This group is made up of 4 people consisting of Dr. Naiyuan Chi, Mr. Sompong Methasatidsuk, Mr. Manot Iwanuwat, and Suwat Uengphakon. The initial registered capital for the company was 15 million Baht. At present, the company has the registered capital of 500 million Baht, of which 500 million shares are paid-up common shares with the par value of 1 Baht per share. The primary purpose was for operating business in manufacturing and setting up general steel structure fabrications of small and medium sizes for buildings. Subsequently, the company has evolved to become a manufacturer of fabricated steel especially for steel structures to be used as a Beam and Column Box which have high resistance to earthquake, useful for construction of large and tall buildings. Furthermore, in 2003 the company has expanded its operations to invest in the agriculture business, but for two years in the organic fertilizer has not been successful because it has never been seriously support by the government. Therefore in end of 2006 the company has decided to cancel this business. However the company will continue only small scale research and analysis by not expect the profit.

The company operate the steel business. The factory is located at Chang Yai Sub-district, Bang Sai District, Phra Nakhon Si Ayutthaya Province. The Steel business line is the business of the company. The company manufactures and sells large structured steel fabrications for large construction projects both domestically and internationally. There are mainly 2 types of structure steel fabrications, one to be used as a box column and the other to be used as a girder, which are both important parts of a building. In 2009 the

company has construction new factory area approximately 8,500 Square Meters ,If the completed factory will have maximum capacity for 70,000 tons per year.

The procedure of structure steel fabrications will begin from bringing high-quality hot-rolled steel plates and cutting them into the desired size, then the pieces of steel will be put together by attaching them into different shapes, for instance a column box or beam. A connecting wire will be used to weld the steel plates together. Next, the related pieces, for example, steel wire, steel pipe, and steel plate are put together according to the blue print. The final step is to fine-tune the product to achieve the desired quality standards.

The company mainly sell directly to customers, with the target market being large contractors and general customers with construction projects. In 2009 the company sells directly to customers in Japan for 100 percent of the total sales. On average the company will receive purchasing orders from clients at least 6 months to 1 year in advance. This has made the company free of manufacture and sales problems. Furthermore, the products of the company are of high quality with the standard acceptable in Japan. The company has always maintained its product quality, by manufacturing its products consistently at a high standard. As such , MCS has obtained accredited certifications from domestic and international famous institutions including;

1. H Grade : Certificate from Minister of land , infrastructure and transportation of Japan
2. AISC ( American Institute of Steel Construction Ins. ) for Building Structure
3. ISO 9001 : 2008 : Quality Management System of Fabrication and erecting Steel Structure Including Cutting , Welding , Finishing , Painting Processes )
4. ISO / IEC 17025 : 2005 : Certificate of Laboratory and Accreditation
5. OHSAS 18001 : 2007 ( Occupational Health and Safety System )





In addition, the company also manufactures normal steel fabrications, for example roof fabrications, a box column or girder used for domestic constructions which have identical production procedures as manufacturing for large steel fabrications.

In 2009 the company requested the benefits from the investment promotion card for the new plant area of approximately 8,500 square meters, be summed up as follows.

No. of Investment promotion card	1064(2)/2010
Details	
1. Approval date	December 16,2009
2. Promotion for	Steel Structure
3. Benefit	Received
(1) Exempt import duty on machinery used in new projects for promotion.	
(2) Exempt for income tax for net profit from operation which have been promoted combined up to 173.365 million Baht and not exempt from the dividend matter has been promoting the corporate income tax to exempt and to calculate tax.	5 years after receive income from this operation
(3) exempt import duty for raw materials and the need to import from abroad for use in manufacturing for export.	a year after first date to
4. Date to start for promotion card	After May 2010

In year 2009 ,M.C.S. Steel Public Co., Ltd. has 1 subsidiary company and 3 associated companies as following;

Company Name	Type of Business Location	Type of relation	Paid up Shares	Percentage of ownership ( % )
<u>Subsidiary company</u>				
M.C.S. Steel – Japan Co., Ltd.	Made to order Japan	Shareholding and Co-Director	50 Million (JPY)	57.00
<u>Associated companies</u>				
Hua Yin Holding Co., Ltd.	Made to order China	Shareholding and Co-Director	23 Million (US)	19.78
Kano Sangyo Co., Ltd.	Made to order Japan	Shareholding	84 Million (JPY)	11.90
TKC Co.,Ltd.	Made to order Japan	Shareholding	12 Million (JPY)	25.00

# **Shareholders**

## 1. Company 's Equity

- Common share

Registered capital and paid-up capital of th Company as at 31 December 2009 was

Registered capital	amount	500,000,000	Baht
Total paid	amount	500,000,000	Baht
Common shares	amount	500,000,000	Shares
Par value per share		1.00	Baht

## 2. Treasury Stock for financial management.

In 2009 referred to letter No. MCS 007/2008 Exchange on 27 October 2008 about the stock repurchase program for its financial management. M.C.S. Steel Limited (PCL), a period from November 12, 2008 - May 11, 2009 the Company did not implement projects that have been notified. Because of the global economic situation. The Company has determined that the company should be to keep the cash to the Company's operations in the current situation over. The Company is not the stock repurchase, as posted.

### 3. Shareholders

List of top 10 shareholders and percentage of shares holding as September 7,2009

Name	Shares	Percentage (%)
1. Dr.Naiyuan Chi	83,451,400	16.69
- Mrs.Yoko Ki	30,000,000	6.00
- Mr.Taiki Ki *	20,000,000	4.00
- Ms.Karin Ki *	20,000,000	4.00
- Mr.Yuki Ki *	20,000,000	4.00
- Charisa Chi	10,000,000	2.00
Total of Dr.Chi 's group	183,451,400	36.69
2. SOMERS (U.K.) LIMITED	40,753,500	8.15
3. Thai NVDR Co., LTD.	30,483,500	6.10
4. Mr.Suthipong Vatvaruth	27,020,000	5.40
- Mrs.Kaota Vatvaruth	3,070,000	0.61
Total of Mr.Suthipong 's group	30,090,000	6.02
5. Mr. Sompong Metasatidsuk	4,945,100	0.99
- Mr. Metas Metasatidsuk	2,000,000	0.40
- Ms.Chompunuch Metasatidsuk *	1,973,100	0.39
- Ms.Prichat Metasatidsuk *	2,000,000	0.40
- Mr. Nattawat Metasatidsuk *	2,130,000	0.43
Total of Mr.Sompong 's group	13,048,200	2.61
6. GOLDMAN SACHS INTERNATIONAL	11,190,500	2.24
7. Mr.Sunthorn Danthalermon	4,900,000	0.98
8. กองทุนเปิดไทยพาณิชย์หุ้นปันผล	4,200,500	0.84
9. Mr.Somkiat Tedtoontaweede	3,980,400	0.80
10. Other Shareholders	177,902,000	35.58
Total	500,000,000	100.00

Remark : \* Adult children





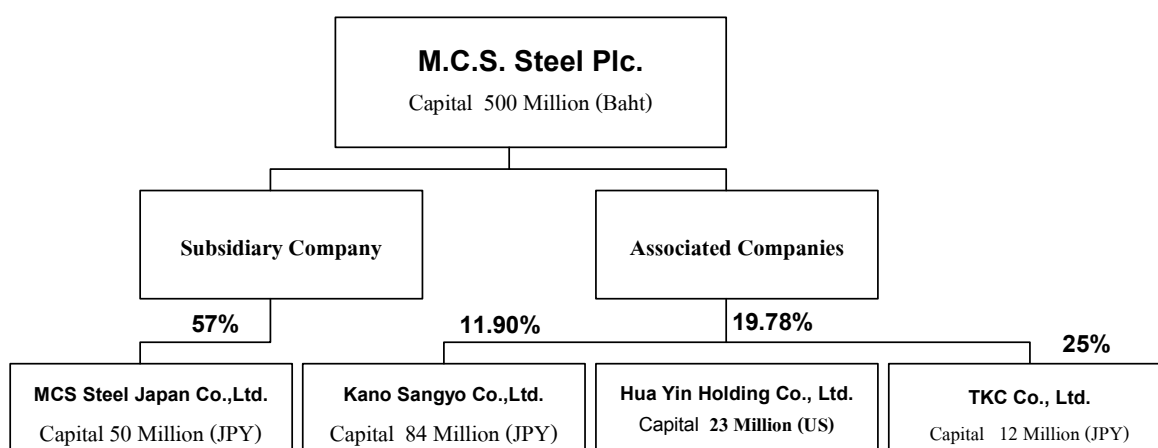
#### 4. Dividend Payment Policy

A Policy dividend rate at least 50 percent of net profit after tax and legal reserves , however , Company may make a dividend less defined above depending on financial performance, liquidity needs to be used as working capital for operations expansion and other factors involved in the management of the company. In the subsidiaries and dividend policy of subsidiary company and associated company will pay dividends to the company based on performance in each year.

The Company has paid dividends for the year 2007-2009 results as described below.

Year	Period : Jan-Jun ( Baht ) Payment date	Period : Jul-Dec ( Baht ) Payment date	Total of Dividend : Year ( Baht )
2007	0.10 Sep 11 ,2007	0.23 April 16,2008	0.33
2008	0.10 Sep 12,2008	0.20 April 27,2009	0.30
2009	0.15 Sep 11,2009	-	-

## Investment Structure



## Income structure of Revenue from Business

Value : Baht

Product	2007		2008		2009	
	Value	%	Value	%	Value	%
1.Income from Sales of Steel Structure						
1.1 Domestic Sales	26,159,257	1.00	82,695,000	2.58	-	-
1.2 Export Sales	2,519,269,558	95.97	3,062,983,368	95.39	3,945,932,607	98.05
2. Income from sales of scraps	25,777,724	0.98	49,485,046	1.54	33,177,570	0.82
3. Other incomes	9,734,679	0.37	15,851,463	0.49	6,067,009	0.15
4. Gain on exchange rate	44,109,585	1.68	-	-	39,406,216	0.98
Total revenues	2,625,050,803	100	3,211,014,877	100	4,024,583,403	100

# **Risk Factors**

## **1. Risk in relation to exchange rate**

All exporters inevitably are affected by movements of the exchange rate. Although this company earns much of its income in Yen, the company has been less affected by exchange rate movements, as raw material, which represents nearly 60% of production cost is calculated in the same currency, acting as natural hedge. Nonetheless, the sharp fluctuation in the Thai and Japanese currency in 2009 did show us the risk of an unstable exchange rate. The current global recession will put pressure on governments to take measures in relation to their respective currencies, and we anticipate that 2010 will continue the trend of volatile currency exchange movements, which will have an enormous bearing on our operations.

## **2. Risk in relation to oil prices**

In the first half of 2009, crude oil prices fell in the world market, and then increased in the second half of 2009 to approximately half the all time high price. This has had an adverse effect on transportation costs in all sectors, but particularly for exporters. The increase or decrease in oil prices resulted in our transportation costs fluctuating to between 10% and nearly 15% of our total cost. We anticipate that oil prices will continue to remain volatile in 2010.

## **3. Risk of major shareholders having influence in setting up management policy**

At the beginning of 2010, the Dr. Nai-yuan Chi group held near 25% of shares of the paid capital. The group sent its representative to hold the position of chairman and CEO of the company, enabling the group to have a significant influence on the company's management policy.

## **4. Risk of depending on only a few major customers**

The company operates the business of fabricating and delivering large scale steel structure according to specifications defined by each project. Our major customers are Kajima Corporation, Shimizu Corporation and Takenaka Corporation which are three of the largest and leading construction companies in Japan, and from which ninety percent of the total revenue of the company during 2009 was derived. Therefore the loss of any of these customers will significantly impact on the operations of this company. However, the company has confidence that this is an unlikely event. As mentioned above, these corporations are large construction contractors which require steel structures in enormous volumes (nearly 1,000,000 tonnes per year), while the company's current capacity is only 60,000 tonnes per year. We will carry on selecting our customers as we have been doing. It is important to have a wide customer base, but equally important not having too many customers as well. It takes time to become familiar with your customer, to understand their needs, and to tailor your services to fit those needs.

However, we will try to diversify part of our work to other areas such as bridge work or domestic work, and raw material/energy related work in the future.

#### **5. Risk in relation to supply of raw material**

The main raw material used in fabricating steel structures is special hot rolled steel. The company orders special grade hot rolled steel from JFE Steel corporation, the second largest steel mill in Japan as the main source of supply. The value of import is approximately 70% of total cost of raw material of this company. Achievement of the company's policy to spread the risk of depending on only one supplier for raw material is possible through procuring steel plate with the same characteristics and similar quality from SUMIKIN corporation in Japan and POSCO corporation in Korea. Also, the company has started to explore the possibility of purchasing materials from Chinese mills through our partner in China. We expect that Chinese material may be available in the next 2 years which may give us an edge over our competitors in Japan.

However, mergers between large mills around the world in recent years have created unofficial cartels which may lead to higher prices, although we expect prices for raw material to drop given the current economic climate. However it is a never ending subject for any fabricator, to secure material in sufficient quantity, and at reasonable cost.

#### **6. Risk in relation to the economic climate and the construction industry in Japan**

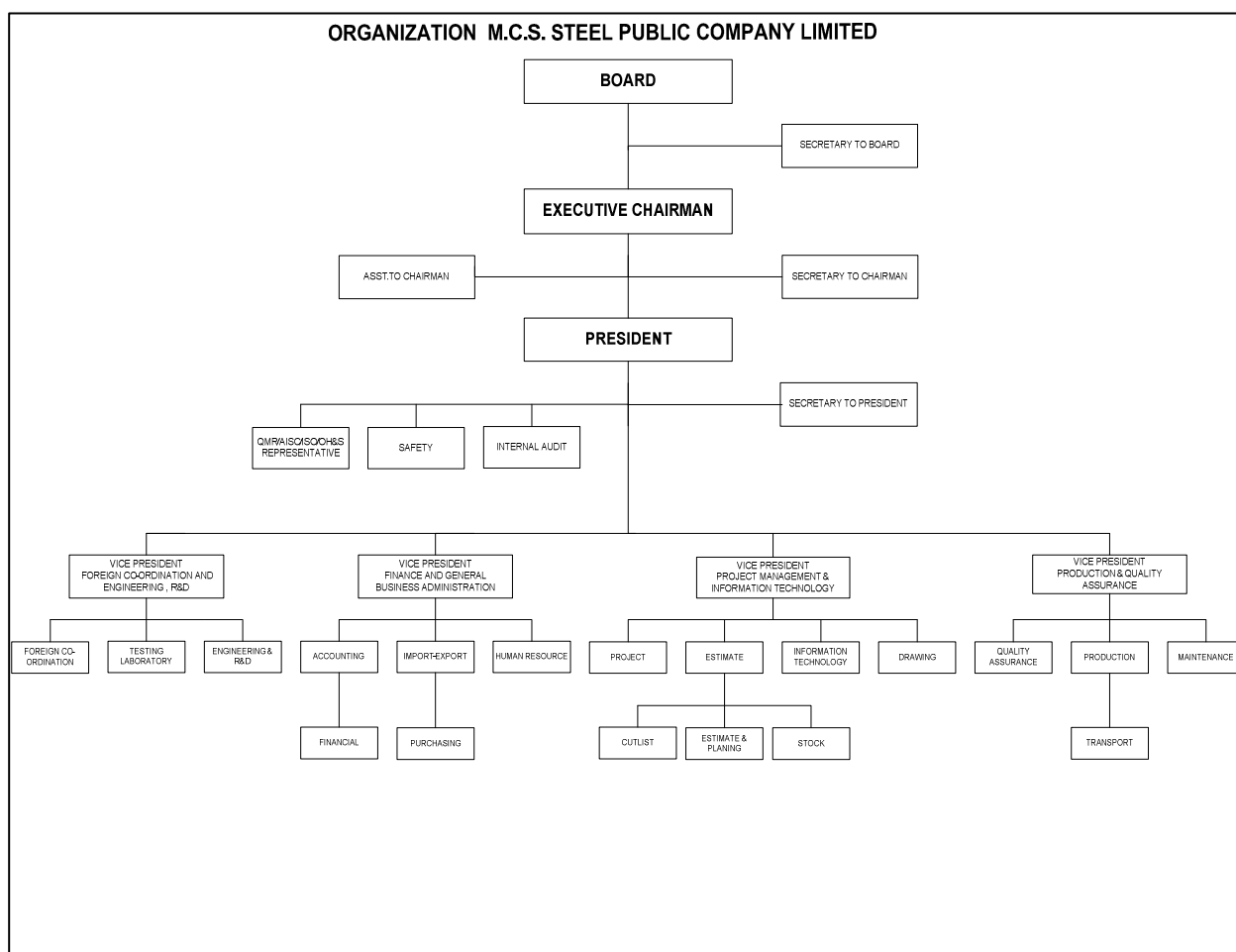
The business of the company is the supplying of large sized structural steel for high rise building, 90% of which are for big contractors in Japan. The calamitous events in the global economy have severely affected the construction industry, and the Japanese construction industry is no exception. With delays and cancellations becoming the norm, construction projects have decreased and consequently demand for structural steel fabrication works has decreased vastly. Only large projects for major Japanese developers in and around central Tokyo still exist. Although the status of these projects remain precarious, so long as these projects remain in progress, we will be in need as contractors will need to find sub contractors like our company, which can help reduce overall project costs. Therefore if the situation remains as it is today we will have enough work through to 2011, although the margin may be lower than before due to furious competition among all fabricators.

#### **7. Risk in relation to acquiring MCS-JAPAN**

This company has acquired a 57% share from the exiting shareholders of MCS-JAPAN, and have taken control of company management. MCS-JAPAN serves as the representative of MCS in JAPAN, and deals with our Japanese clients, acts as a liaison between project site and MCS, distributes fabrication drawings, delivers products to the project site as required, and handles any necessary repair work.

It is extremely vital to have a fully functional representative in JAPAN for MCS to satisfy our client and continue our business with them. MCS has sent representatives to control daily operation since April 2009

# Organization



## 1. Management Structure ( December 31,2009 )

The corporate management structure consists of 3 groups of directors which are :

- (1) Board of Director
- (2) Audit Committee
- (3) Top Managements

### The Board of Directors

has 7 persons at now ,determines business policy and has authority and duty to manage the company complying with objective , regulation and resolution from the share holders ' meeting and disclose enough information all over for the shareholders or other person . The board of the directors may authorize director(s) or other person to do any responsibility for them.

Ms.Kanchalika Sangparinya is the secretary to the Board of Directors

And the company's binding authority is authorized by signature of Dr.Naiyuan Chi ( Chairman of Director ) with the company seal.

### Top Managements

has 14 persons at now composing of Executive Chairman , President , Vice President and Managers are management of the company that operate in their responsibility line of work.

### Number of Employees

586 employees ( Not included 14 person of Top Managements ) at December 31 ,2009 as followings;

Responsibilities	Total No. of Employees
Production Line and QA	460
Support Line	123
Employee in Japan	3
Grand Total	586

# **The Nomination of the Directors and Management Team**

The company does not have a committee to select a board of directors, but instead uses criteria for electing and appointing a board of directors as stated in the regulations of the company. The appointed board member must also be approved by the meeting of shareholders, of which the final decision will depend on the majority vote of the shareholders present and entitled to vote

## **Board of Director**

- 1 The company's Board of Directors is composed of no fewer than 5 persons, of which more than half of the total number of board of directors must have a residence in Thailand.
- 2 The meeting of shareholders must elect the board of directors according to the following steps
  - (1) One shareholder has one (1) vote per one (1) share
  - (2) Each shareholder must exercise his whole votes according to Clause 2.1 to elect one or several persons to be the director(s), but her /his votes may not be distributed to elect the candidate(s).
  - (3) The persons with the highest number of votes in ranking order will be elected directors depending on the number of director seats available or the number to be elected at any specific meeting. In the case where the number of candidates elected have equal votes and the number exceeds that of the available seats or that to be elected at any specific meeting, the Chairman shall have the decisive vote.
- 3 In every annual meeting of shareholders, one-third (1/3) of the total number of the serving directors must resign from their position. If the number can not be divided into one-third, then the closest number to one-third (1/3) must resign.

The director having served his term may be re-elected to hold the same position. The directors agree on the order of completing the term of directorship according to the above provisions by specifying that the directors who have to resign from their directorship in the first and second years after the incorporation of the company shall be determined by drawing a lot and that for the subsequent years, the directors serving the longest term shall resign from directorship.

- 4 Any director wishing to resign from his position must provide the company with a letter of resignation. Resignation will be effective once the letter of resignation reaches the company.

- 5 In the case where a director seat is vacant, not due to the completion of the term, the board shall elect another qualified person to replace the former director at the next board meeting unless the remaining tenure of the director is less than 2 months. The replacing individual will hold the directorship for the duration of the remaining term of the former director.
- 6 The meeting of shareholders may decide that any director should resign before the completion of his term with the votes not fewer than three-quarter (3/4) of the number of the shareholders present and entitled to vote in the meeting, and the votes cast constituting not fewer than half of the number of shares held by the shareholders present and entitled to vote.

#### **Independent directors and/or audit committee**

Subject to the criteria in selecting the board directors, independent directors and/or audit directors shall be elected by the board of directors or the meeting of shareholders whereby each audit director must be independent director

#### **Top Managements**

The company does not have a committee to select top managements, but instead the company has a policy to elect the top managements by choosing from individuals with knowledge, capabilities, and experience related to the business, and approval from the board of directors or the person authorized by the board of directors must also be given.



# **Policy on Good Corporate Governance**

## **1. The rights of shareholders.**

### Shareholders: Rights and Equitable Treatment.

Company policy is to treat shareholders. And facilitate equal shareholders in the meeting. Obtaining information. And the right to vote at the shareholders meeting. The Company has delivered books and information meetings with the conference agenda include various statements to shareholders before the meeting not less than 7 days (or as is. Office of the Securities and Exchange Commission and Stock Exchange of Thailand set) and also published on the Web site that list the company. Each term is of the opinion of the Committee include making decision to attend the meeting and vote of shareholders. And a conference record correctly to shareholders can be checked.

If shareholders can not attend the meeting. Shareholders can appoint a proxy to any person as assignee. The company has added options to shareholders. It is proposed that independent directors or audit committee is the assignee of the shareholders. The Committee will provide a list of attorney attached proxy statement with the meeting invitation letter.

### The shareholders' meeting.

In 2009, the company held a general meeting of shareholders is 1 times the Annual General Meeting (Annual General Meeting or AGM) on April 10, 2009 at Conrad Hotel in Bangkok were attended by the Board of Directors ,Top managements ,legal counsel and a certified public accountant of the company attending full quorum. And provide a record of all meeting in video recordings and audio recordings. In addition, throughout the conference chairman to allow shareholders to comment and ask questions at issue are questions. Also the company has sent the minutes of the Annual General Shareholders to SET within the time specified.

## **2. To treat shareholders fair.**

### Conflict of interests.

To prevent conflicts of interest at Governance Committee carefully at the list of potential conflicts of interest. By policies and procedures connected transactions are approved in writing. And policy and how to prevent executives and relevant information within the company to use for personal benefit. And confidentiality of clients.

Board of Directors has issued guidelines to prevent conflicts of interest in the announced policy on corporate governance of companies. Which defines best practices as executive director of major shareholders. Who control the company and employees summarized as follows.

1. No executive director major shareholders. Who control the company and its employees act as competitive with any business without its consent. Whether direct or indirect. Unless approved by the Board that no conflict of interest in that. Authorization to do only.
2. Executive Director, major shareholder. Who control the company and employees will maintain the company's trade secrets confidential and will not disclose or use to take advantage of her or others. But used to work for the company.
3. Executive Director, major shareholder. Who control the company and employees will not use or disclose, and take that information to a company's trade secrets. And / or let others do so. Without the consent of the Company, whether received in any form.
4. Executive Director, major shareholder. Who control the company. And / or employees. Will work with integrity. Honesty and care benefits of a major.

### 3. Role of stakeholders.

#### Rights of stakeholders.

Has focused on the rights of stakeholders in all segments. Whether internal stakeholders, including employees and executives of the company. Or external stakeholders such as creditors, competitors, etc. with details.

**Employees :** To treat employees with fairness and provide appropriate compensation.

**Creditors :** To follow the terms and conditions set forth in the contract.

**Customers :** To take care and responsibility with product quality and standards. Confidentiality of clients and a system for receiving complaints of customers to push for the settlement with fairness, and as soon as possible.

**Competition :** practices and rules within the industry or regulatory authorities required by treatment criteria of best practices in competition.

**Society :** a social responsibility by the business ethics like professionals and support activities to create social support and appropriate.

#### 4. Disclosure and Transparency

##### The policy on Corporate Good governance

The company realizes the importance of good business supervision to increase transparency and competitiveness, as well as to increase shareholder trust. All related parties have set a policy for supervising the business by covering these important principles

- (1) Treating the shareholders and stakeholders equitably and fairly
- (2) The board of directors is determined to create added value to the business in the long run, manage the business and risks with care and diligence, do its duties with responsibility and capabilities as well as efficiency to create maximum benefits for shareholders, to assure that no conflicts of interest will take place, and to be responsible for all the decisions and actions it has made.
- (3) All operations will be conducted in a transparent manner and ready for inspection, with adequate disclosure of information to all the related parties.
- (4) A code of ethics is determined for the directors and employees to abide by, as well as preparing a Compliance Manual for employees.

Furthermore, the company will act with strict accordance to the rules and regulations set by the Securities and Exchange Commission and the Stock Exchange of Thailand. After the common shares of the company have been listed in the Stock Exchange of Thailand, the company will disclose its report on business supervision activities in the annual report related to, as well as in the form containing annual information (Type 56-1)

##### Report of the company board of directors

The company board of directors is responsible for the financial statement of the company. Such financial statement is made according to the accounting standards acceptable in the whole of Thailand and audited by the certified auditor approved by the Securities Exchange Commission and the Stock Exchange of Thailand. For this matter, the audit committee will recheck the quality of the financial report and the internal audit report as well as the disclosure of important data sufficiently in the remarks attached to the financial statement. The audit committee will present its opinions to the company board of directors and the meeting of the shareholders respectively

### Relation with the investors

The company board of directors attaches utmost importance to the disclosure of accurate, complete, and transparent data to every investor. The company still attaches importance to the disclosure and provision of data to the shareholders and general investors in accordance with the standards and criteria determined by the Securities Exchange Commission and the Stock Exchange of Thailand both by the data distribution channels and media of the Stock Exchange of Thailand and the web site of the company, [www.mcssteel.com](http://www.mcssteel.com) or the email address, [info@mcssteel.co.th](mailto:info@mcssteel.co.th). At present, the company has not set up the investor relations unit to provide the service on data of the company. So it has assigned Dr. Naiyuan Chi and/or Mr. Sompong Metasatidsuk to communicate with the shareholders, investors, analysts, and the general public.

## **5. Responsibilities of the Board of Directors**

### The leadership and their vision

The company board of directors consists of knowledgeable, capable, and business-experienced directors who will act to guide and determine the policies, vision, strategy, objectives, business missions, business plans, as well as the company's budget. The role of directors will also supervise that the management implements their assignments efficiently and effectively with responsibility, integrity, and due care in accordance with the code of best practices within the framework of laws, corporate objectives and regulations, and the decisions of the meeting of the shareholders. Furthermore, the board of directors has also arranged for the company to have a system of internal control, internal auditing, evaluation, and continuous tight and effective management. In addition, follow-up measures for such issues will always be taken. In year 2009, the company plan to set the internal audit in the organization of company.

The board of directors will determine and differentiate different roles and responsibilities of the board of directors and management. The level of authority will be clearly specified, and the roles, duties, and responsibilities will be continuously conveyed to the directors and employees.

### Business Ethics

The company has produced the Compliance Manual focusing on the conduct of business and the implementation of official rules. The company ensures that this manual has been acknowledged in writing by the directors, executives, and employees as their code of conduct. The company will monitor the implementation of the said manual regularly and put in place disciplinary actions.

### Keeping the Balance by Non-Top Management Directors

The company has the board of directors consisting of 7 persons with knowledge, expertise, and experience in various fields. One person is representative of the shareholders and top management, two are top managements and three are independent directors who are also audit committee members and fully qualified according to the announcement of the Stock Exchange of Thailand on qualifications and scope of work of the audit committee to perform auditing and create checks and balance in the conduct of company activities in order to ensure fairness and maximum benefits for every shareholder.

### Merging or Separating the Positions

The chairman of the company board of directors is the major shareholder holding approx 16.69% of the shares and if all the shares held by his spouse and immature children are taken into account, the holding will be approx 24.69% (as of September 7, 2009) of all the paid up shares whereby the company chairman is the same person as the executive chairman. However, the making of items not being the normal operation of the company will be considered by the company board of directors in which the 3 audit directors are present, constituting 43% of all the directors.

### Remuneration of the company directors and top managements

The company has the policy of making attractive remuneration to the directors and top managements at the appropriate level. The remuneration will be linked to the performance of the company and determining the remuneration of the directors and top managements clearly and transparently with the approval of the meeting of the shareholders and it commensurate to the duties and responsibilities of each director and top management in the form of monthly remuneration, meeting honorariums and/or monthly salary and bonus. In 2009 the company paid remuneration of the company directors as followings;

- Director

In 2009 ,have one Annual General Meeting , Six Audit Committee Meetings and Eight Board Director Meetings

Name	Remuneration ( Baht ) 2009
DR.NAIYUAN CHI	662,200
MR.SOMPONG METASATIDSUK	219,450
MR.PHAIRAT VIWATBORVORNWONG	65,450
MS.PORNTIP JULLA-IED	215,600
MR.PORNCHAI PHISARNANUKUNKIT	130,900
MR.SOMYOS CHIAMCHIRUNGKORN	523,600
POLICE LIEUTENANT GENERAL SUWAT CHANITTHIKUL	446,600
MRS.VIBHADA CHARTIKULLAVADHANA	446,600

Remark : K.Porntip resigned from Director on October 5,2009

Remuneration of the company director from Subsidiary company

Name	Remuneration ( Yen ) 2009
DR.NAIYUAN CHI	1,800,000

- Top Managements

Remuneration	Year 2009 ( January – December )	
	Number	Remuneration (Baht )
Salary and bonus	14	20,635,750.46
Provident Fund and Others	14	3,387,795.00

#### The meeting of the board of directors

The company board of directors have regular meetings at least 4 times a year. For each meeting, the top managements team will prepare the information and details to facilitate consideration of the board. During the meeting, the board chairman will give ample time for the directors to consider the agenda items thoroughly and express their opinions fully. The meeting is verbally recorded and the approved records of the meeting are properly kept for inspection by the persons concerned. In 2009 the board of director held 8 meetings.

#### The sub-committee

The company has the audit committee in addition to the company board of directors to increase efficiency and flexibility in the operation and in 2009 have 6 meetings for Audit Committee and present Ms.Kanchalika Sangparinya is the secretary to the Audit committee.

#### The system of supervision and internal control

The company places importance on having efficient supervision and internal control at both the top managements and operation levels so it clearly determines the responsibilities and operational powers of the operating officers and executives on various matters in writing. It supervises the utilization of the company assets and separates the duties of the operating officers, the officers in charge of monitoring and control, and the officers in charge of assessment in order to create clear and appropriate checks and balances.

However, the company plans to establish a internal audit to serve in our company for review the company 's businesses to ensure that its practices comply with regulations and reported directly to the Audit Committee. Because today is not the formation of the internal audit. The company has an internal audit on a regular basis. (The monitoring system standard ISO 9001: 2008.) And in 2009 the company hired Chayos Co., Ltd. who is the external audit firm to check the internal control system of the company that is important.

# Transactions with its related companies

The significant transactions between the Company and its related companies reflected in the accompanying financial statements for the years ended December 31, 2009 and 2008 are as follows :-

		In Million Yen		In Million Baht	
		Financial statements in which the equity method is applied/ Separate financial statements		Financial statements in which the equity method is applied/ Separate financial statements	
		2009	2008	2009	2008
M.C.S. STEEL - JAPAN COMPANY LIMITED	Pricing Basis				
Other income	20% from uncollectible sales	2.51	-	0.89	-
Purchases - raw materials	At cost plus commission 5%	6.46	0.43	2.41	0.13
Administrative expenses	Agree price based on Market price	581.77	556.26	213.39	192.11

The significant outstanding balances as at December 31, 2009 and 2008 are as follows :-

		Japanese Yen		In Baht	
		Financial statements in which the equity method is applied/ Separate financial statements		Financial statements in which the equity method is applied/ Separate financial statements	
		2009	2008	2009	2008
M.C.S. STEEL - JAPAN COMPANY LIMITED	Type of Relation				
	Subsidiary company				
Other receivable		2,505,578.00	-	896,874.15	-
Accounts payable		-	93,638.00	-	36,500.85
Accrued expense		213,783,002.16	169,665,399.53	78,160,989.64	66,136,930.12



# **Report of the Audit Committee**

To All Shareholders

The Auditor Committee is comprised of 3 independent directors, all members set composition and properties of the Audit Committee as Rule that announced in the Stock Exchange of Thailand. The Auditor Committee consists of Mr. Somyos Chiamchirungkorn is Chairman of Audit Committee ,Police Lieutenant General Suwat Chaniythikul Audit Committee and Mrs.Vibhada Chartikullavadhana Audit Committee.

In the year 2009, the Audit Committee has duties and responsibilities with summarized as follows.

1. The Audit Committee has examined the Financial Statement of M.C.S. Steel (Public) Co., Ltd., for the year ending as of 31 December 2009 and the Financial Statement has been prepared in conformance with the generally accepted the notified of SEC and SET
2. Review internal controls and internal audit. The proposal has to improve internal controls related to business performance appropriate to the changing pace of economic conditions.
3. The governance and operations of the company related to Principles of good corporate governance. The Audit Committee has reviewed the operation of the company to ensure as Corporate Good Governance by SET. The overview of the company is in good criteria and recommend ways to develop better.
4. The Audit Committee has been evaluated the auditor and opinioned to the Board of Directors for respective approval to appoint Dharmniti Auditing Company Limited, as the Company's auditor for Fiscal 2010 with either Mr. Phot Assavasuntichai, Certified Public Accountant (Thailand) No. 4996 or Jantra Wongsriudomporn, Certified Public Accountant (Thailand) No. 4996 or Miss Wannisa Nambuathong, Certified Public Accountant (Thailand) No. 6838 or Mr.Thanawut Phiboonsawad ,Certified Public Accountant (Thailand) No. 6699 with remuneration for the yearly audit of Baht 1,000,000.- maximum,

During 2009 the Audit Committee has been meeting with the Director and 6 attendants the Audit committee meeting and considered the instructions with independence. There were no restrictions on information resources and received assistance from the Board of Directors as well.



(Mr. Somyos Chiamchirungkorn)

Chairman of the Committee Audit

March 6,2010

# **Auditor 's Report**

To The Shareholders and Board of Directors of  
M.C.S. STEEL PUBLIC COMPANY LIMITED

I have audited the balance sheet of M.C.S. STEEL PUBLIC COMPANY LIMITED as at December 31, 2009, the related statements of income, changes in shareholders' equity and cash flows for the year then ended. The financial statements have both presented the investment in associates in which the equity method is applied and the separate financial statement in which the cost method is applied. These financial statements are the responsibility of the Company's management as to their correctness and completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audit. The financial statements for the year ended December 31, 2008, of M.C.S. STEEL PUBLIC COMPANY LIMITED which are presented herewith for comparative purpose, were audited by another auditor in my firm whose report dated February 16, 2009, expressed an unqualified opinion on those financial statements.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. 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 M.C.S. STEEL PUBLIC COMPANY LIMITED as at December 31, 2009, the results of its operations, its changes in shareholders' equity and its cash flows for the year then ended in conformity with generally accepted accounting principles.



(Miss Wannisa Ngambuathong)

Certified Public Accountant

Registration No. 6838

Dharmniti Auditing Company Limited  
Bangkok, Thailand  
February 26, 2010  
2010/271/9568

**M.C.S. STEEL PUBLIC COMPANY LIMITED**

**BALANCE SHEETS**

**AS AT DECEMBER 31, 2009 AND 2008**

**ASSETS**

		In Baht			
		Financial statements in which the			
		equity method is applied		Separate financial statements	
		As at December	As at December	As at December	As at December
Note		31, 2009	31, 2008	31, 2009	31, 2008
Current assets					
Cash and cash equivalents	4	1,800,790,995.95	337,711,278.33	1,800,790,995.95	337,711,278.33
Accounts receivable and retention receivable	5	80,809,464.63	655,060,958.12	80,809,464.63	655,060,958.12
Inventories, net	6	643,969,641.43	1,010,302,421.05	643,969,641.43	1,010,302,421.05
Receivable - The Revenue Department		6,925,482.97	2,050,849.83	6,925,482.97	2,050,849.83
Other current assets	3	8,939,322.96	4,549,039.40	8,939,322.96	4,549,039.40
Total current assets		2,541,434,907.94	2,009,674,546.73	2,541,434,907.94	2,009,674,546.73
Non-current assets					
Investment in associates	7	276,674,185.03	303,614,048.20	272,042,085.00	274,131,387.00
Investment in subsidiary	7	10,723,367.99	-	10,568,832.00	-
Other long-term investments					
- General investment - At cost	8	3,237,550.00	3,237,550.00	3,237,550.00	3,237,550.00
Property, plant and equipment, net	9	607,967,665.68	577,470,836.48	607,967,665.68	577,470,836.48
Restricted deposit	10	-	145,389,745.83	-	145,389,745.83
Other non-current assets	11	3,502,794.09	3,067,618.57	3,502,794.09	3,067,618.57
Total non-current assets		902,105,562.79	1,032,779,799.08	897,318,926.77	1,003,297,137.88
TOTAL ASSETS		3,443,540,470.73	3,042,454,345.81	3,438,753,834.71	3,012,971,684.61

Notes to financial statements form an intergral part of these statements.

**M.C.S. STEEL PUBLIC COMPANY LIMITED**  
**BALANCE SHEETS (CONT.)**  
**AS AT DECEMBER 31, 2009 AND 2008**

**LIABILITIES AND SHAREHOLDERS' EQUITY**

		In Baht			
		Financial statements in which the equity method is applied		Separate financial statements	
		As at December	As at December	As at December	As at December
	Note	31, 2009	31, 2008	31, 2009	31, 2008
<b>Current liabilities</b>					
Accounts payable and note payable					
- Related company	3	-	36,500.85	-	36,500.85
- Other company	13	1,084,811,878.73	1,206,743,172.41	1,084,811,878.73	1,206,743,172.41
Accrued income tax		136,321,994.32	60,350,634.53	136,321,994.32	60,350,634.53
Accrued expense		49,306,838.85	31,030,654.15	49,306,838.85	31,030,654.15
Accrued expense - related company	3	78,160,989.64	66,136,930.12	78,160,989.64	66,136,930.12
Current portion of provision for warranty					
under contract	14	109,183,721.36	75,857,369.03	109,183,721.36	75,857,369.03
Other current liabilities		5,102,975.40	5,729,931.48	5,102,975.40	5,729,931.48
Total current liabilities		1,462,888,398.30	1,445,885,192.57	1,462,888,398.30	1,445,885,192.57
<b>Non-current liabilities</b>					
Provision long - term for warranty under contract	14	62,283,009.16	55,133,700.62	62,283,009.16	55,133,700.62
Total non-current liabilities		62,283,009.16	55,133,700.62	62,283,009.16	55,133,700.62
<b>TOTAL LIABILITIES</b>		<b>1,525,171,407.46</b>	<b>1,501,018,893.19</b>	<b>1,525,171,407.46</b>	<b>1,501,018,893.19</b>

Notes to financial statements form an integral part of these statements.

**M.C.S. STEEL PUBLIC COMPANY LIMITED**

**BALANCE SHEETS (CONT.)**

**AS AT DECEMBER 31, 2009 AND 2008**

**LIABILITIES AND SHAREHOLDERS' EQUITY (CONT.)**

	Note	In Baht			
		Financial statements in which the		Separate financial statements	
		equity method is applied			
		As at December	As at December	As at December	As at December
		31, 2009	31, 2008	31, 2009	31, 2008
Shareholders' equity					
Share capital					
Authorized share capital					
500,000,000 ordinary shares					
of Baht 1.00 each		500,000,000.00	500,000,000.00	500,000,000.00	500,000,000.00
Issued and paid-up share capital					
500,000,000 ordinary shares					
of Baht 1.00 each		500,000,000.00	500,000,000.00	500,000,000.00	500,000,000.00
Premium on ordinary shares		140,000,000.00	140,000,000.00	140,000,000.00	140,000,000.00
Revaluation surplus	16				
Land		45,985,432.50	45,985,432.50	45,985,432.50	45,985,432.50
Building		37,689,471.70	42,589,483.94	37,689,471.70	42,589,483.94
Machinery and crane		5,447,122.58	10,722,224.59	5,447,122.58	10,722,224.59
Total revaluation surplus		89,122,026.78	99,297,141.03	89,122,026.78	99,297,141.03
Currency conversion differences	7	11,029,252.37	25,180,937.32	-	-
Retained earnings					
Appropriated - legal reserve	17	50,000,000.00	50,000,000.00	50,000,000.00	50,000,000.00
Unappropriated		1,128,217,784.12	726,957,374.27	1,134,460,400.47	722,655,650.39
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>1,918,369,063.27</b>	<b>1,541,435,452.62</b>	<b>1,913,582,427.25</b>	<b>1,511,952,791.42</b>
<b>TOTAL LIABILITIES AND</b>					
<b>SHAREHOLDERS' EQUITY</b>		<b>3,443,540,470.73</b>	<b>3,042,454,345.81</b>	<b>3,438,753,834.71</b>	<b>3,012,971,684.61</b>

Notes to financial statements form an integral part of these statements.

**M.C.S. STEEL PUBLIC COMPANY LIMITED**  
**STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

		In Baht			
		Financial statements in which the equity method is applied		Separate financial statements	
	Note	2009	2008	2009	2008
Revenues	20				
Sales		3,945,932,607.48	3,145,678,367.50	3,945,932,607.48	3,145,678,367.50
Gain on exchange rate		39,406,216.21	-	39,406,216.21	-
Other income	3	39,244,578.95	61,294,028.99	39,244,578.95	61,294,028.99
Total revenues		<u>4,024,583,402.64</u>	<u>3,206,972,396.49</u>	<u>4,024,583,402.64</u>	<u>3,206,972,396.49</u>
Expenses	20				
Cost of sales	3, 22	2,752,338,710.67	2,163,368,260.37	2,752,338,710.67	2,163,368,260.37
Selling expenses		277,606,367.47	376,178,733.33	277,606,367.47	376,178,733.33
Administrative expenses		164,623,574.39	114,144,625.85	164,623,574.39	114,144,625.85
Management benefit expenses	23	16,593,864.64	17,256,936.97	16,593,864.64	17,256,936.97
Loss on exchange rate		-	60,512,868.32	-	60,512,868.32
Total expenses		<u>3,211,162,517.17</u>	<u>2,731,461,424.84</u>	<u>3,211,162,517.17</u>	<u>2,731,461,424.84</u>
Sharing in profits (losses) from investments					
in associates and subsidiary	7	(10,544,340.23)	4,042,480.24	-	-
Profit before finance costs and income tax		802,876,545.24	479,553,451.89	813,420,885.47	475,510,971.65
Finance costs		40,151.09	-	40,151.09	-
Profit before income tax		802,836,394.15	479,553,451.89	813,380,734.38	475,510,971.65
Income tax	25	226,575,984.30	126,036,120.36	226,575,984.30	126,036,120.36
Net profit		<u>576,260,409.85</u>	<u>353,517,331.53</u>	<u>586,804,750.08</u>	<u>349,474,851.29</u>
Earnings per share	21				
Net profit		<u>1.15</u>	<u>0.71</u>	<u>1.17</u>	<u>0.70</u>

Notes to financial statements form an integral part of these statements.

**M.C.S. STEEL PUBLIC COMPANY LIMITED**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

		In Baht					
		Financial statements in which the equity method is applied					
Note	Share capital issued and paid - up	Premium on ordinary shares	Revaluation surplus	Currency conversion differences	Retained earnings		Total
					Appropriated - Legal reserve	Unappropriated	
	500,000,000.00	140,000,000.00	110,191,227.84	-	50,000,000.00	538,433,712.74	1,338,624,940.58
Beginning balance, as at January 1, 2008							
Revaluation surplus (Deduction)	16	-	(10,894,086.81)	-	-	-	(10,894,086.81)
Currency conversion differences	7	-	-	25,180,937.32	-	-	25,180,937.32
Net income (expense) recognised							
directly in equity		-	(10,894,086.81)	25,180,937.32	-	-	14,286,850.51
Net profit for the year 2008		-	-	-	-	353,517,331.53	353,517,331.53
Total recognised income (expense)		-	(10,894,086.81)	25,180,937.32	-	353,517,331.53	367,804,182.04
Dividend paid	18	-	-	-	-	(164,993,670.00)	(164,993,670.00)
Ending balance, as at December 31, 2008		500,000,000.00	140,000,000.00	99,297,141.03	25,180,937.32	50,000,000.00	726,957,374.27
Revaluation surplus (Deduction)	16	-	(10,175,114.25)	-	-	-	(10,175,114.25)
Currency conversion differences	7	-	-	(14,151,684.95)	-	-	(14,151,684.95)
Net income (expense) recognised							
directly in equity		-	(10,175,114.25)	(14,151,684.95)	-	-	(24,326,799.20)
Net profit for the year 2009		-	-	-	-	576,260,409.85	576,260,409.85
Total recognised income (expense)		-	(10,175,114.25)	(14,151,684.95)	-	576,260,409.85	551,933,610.65
Dividend paid	18	-	-	-	-	(175,000,000.00)	(175,000,000.00)
Ending balance, as at December 31, 2009		500,000,000.00	140,000,000.00	89,122,026.78	11,029,252.37	50,000,000.00	1,128,217,784.12

Notes to financial statements form an integral part of these statements.

**M.C.S. STEEL PUBLIC COMPANY LIMITED**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONT.)**  
**FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

		In Baht				
		Separate financial statements				
	Note	Share capital	Premium on	Revaluation	Retained earnings	
		issued and paid - up	ordinary shares	surplus	Appropriated - Legal reserve	Unappropriated
Beginning balance, as at January 1, 2008		500,000,000.00	140,000,000.00	110,191,227.84	50,000,000.00	538,174,469.10
Revaluation surplus (Deduction)	16	-	-	(10,894,086.81)	-	-
Net income (expense) recognised						
directly in equity		-	-	(10,894,086.81)	-	-
Net profit for the year 2008		-	-	-	-	349,474,851.29
Total recognised income (expense)		-	-	(10,894,086.81)	-	349,474,851.29
Dividend paid	18	-	-	-	-	(164,993,670.00)
Ending balance, as at December 31, 2008		500,000,000.00	140,000,000.00	99,297,141.03	50,000,000.00	722,655,650.39
Revaluation surplus (Deduction)	16	-	-	(10,175,114.25)	-	-
Net income (expense) recognised						
directly in equity		-	-	(10,175,114.25)	-	-
Net profit for the year 2009		-	-	-	-	586,804,750.08
Total recognised income (expense)		-	-	(10,175,114.25)	-	586,804,750.08
Dividend paid	18	-	-	-	-	(175,000,000.00)
Ending balance, as at December 31, 2009		500,000,000.00	140,000,000.00	89,122,026.78	50,000,000.00	1,134,460,400.47

Notes to financial statements form an integral part of these statements.



**M.C.S. STEEL PUBLIC COMPANY LIMITED**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

	In Baht			
	Financial statements in which the equity method is applied		Separate financial statements	
	2009	2008	2009	2008
Cash flows from operating activities :				
Net profit	576,260,409.85	353,517,331.53	586,804,750.08	349,474,851.29
Reconciliations of net profit (loss) to net cash provided by (used in) operating activities :				
Depreciation and amortization	64,609,230.91	60,381,720.91	64,609,230.91	60,381,720.91
Interest income	(2,402,848.57)	(3,451,175.71)	(2,402,848.57)	(3,451,175.71)
Interest expenses	40,151.09	-	40,151.09	-
Income tax	226,575,984.30	126,036,120.36	226,575,984.30	126,036,120.36
(Gain) loss from sales of fixed assets	(164,247.25)	(1,635,226.78)	(164,247.25)	(1,635,226.78)
Unrealized (gain) loss on exchange rate	(3,671,198.71)	91,313,657.58	(3,671,198.71)	91,313,657.58
Bad debt from retention receivable	706,561.20	-	706,561.20	-
Allowance for declining in value of inventories	36,569,237.91	-	36,569,237.91	-
Provision for import duty	15,896,268.75	-	15,896,268.75	-
Provision for warranty under contract	71,026,786.93	44,519,609.87	71,026,786.93	44,519,609.87
Sharing in loss (profit) from investment in associates and subsidiary	10,544,340.23	(4,042,480.24)	-	-
Net profit (loss) from operating activities before changes in operating assets and liabilities	995,990,676.64	666,639,557.52	995,990,676.64	666,639,557.52
(Increase) decrease in operating assets				
Accounts receivable and retention receivable	572,871,594.04	(200,755,093.25)	572,871,594.04	(200,755,093.25)
Inventories	333,407,276.19	(312,911,939.23)	333,407,276.19	(312,911,939.23)
Receivable - the Revenue Department	(4,874,633.14)	1,238,838.83	(4,874,633.14)	1,238,838.83
Other current assets	(4,657,756.43)	(1,241,703.41)	(4,657,756.43)	(1,241,703.41)
Other non-current assets	(1,250,999.18)	(622,678.62)	(1,250,999.18)	(622,678.62)

Notes to financial statements form an intergral part of these statements.

**M.C.S. STEEL PUBLIC COMPANY LIMITED**  
**STATEMENTS OF CASH FLOWS (CONT.)**  
**FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

	In Baht			
	Financial statements in which the		Separate financial statements	
	equity method is applied			
	2009	2008	2009	2008
Increase (decrease) in operating liabilities				
Accounts payable and note payable				
- Related company	(36,500.85)	(147,326.37)	(36,500.85)	(147,326.37)
- Other company	(111,201,661.98)	302,974,351.19	(111,201,661.98)	302,974,351.19
Accrued expense	(1,263,818.53)	(5,277,819.78)	(1,263,818.53)	(5,277,819.78)
Accrued expense - related company	12,036,681.67	(897,451.55)	12,036,681.67	(897,451.55)
Payment of provision for warranty under contract	(30,551,126.06)	(9,393,521.11)	(30,551,126.06)	(9,393,521.11)
Other current liabilities	(626,956.08)	967,232.81	(626,956.08)	967,232.81
Cash received (paid) from operating	1,759,842,776.29	440,572,447.03	1,759,842,776.29	440,572,447.03
Cash payment for income tax	(150,604,624.51)	(131,707,937.93)	(150,604,624.51)	(131,707,937.93)
Net cash provided by (used in) operating activities	1,609,238,151.78	308,864,509.10	1,609,238,151.78	308,864,509.10
Cash flows from investing activities :				
Interest receive	2,696,001.44	3,343,504.03	2,696,001.44	3,343,504.03
Cash payment for investment in subsidiary	(8,479,530.00)	-	(8,479,530.00)	-
Proceeds from disposal of fixed assets	2,213,944.01	6,653,548.21	2,213,944.01	6,653,548.21
Increase in fixed assets	(106,515,047.46)	(74,953,236.89)	(106,515,047.46)	(74,953,236.89)
(Increase) decrease in restricted deposit	145,389,745.83	(6,906,064.62)	145,389,745.83	(6,906,064.62)
Net cash provided by (used in) investing activities	35,305,113.82	(71,862,249.27)	35,305,113.82	(71,862,249.27)
Cash flows from financing activities :				
Dividend paid	(175,000,000.00)	(164,993,670.00)	(175,000,000.00)	(164,993,670.00)
Interest paid	(40,151.09)	-	(40,151.09)	-
Net cash provided by (used in) financing activities	(175,040,151.09)	(164,993,670.00)	(175,040,151.09)	(164,993,670.00)
Increase (decrease) in cash and cash equivalents, net	1,469,503,114.51	72,008,589.83	1,469,503,114.51	72,008,589.83
Unrealized gain (loss) on exchange rate from cash at bank in				
foreign currency	(6,423,396.89)	(9,778,124.00)	(6,423,396.89)	(9,778,124.00)
Cash and cash equivalents, at beginning of year	337,711,278.33	275,480,812.50	337,711,278.33	275,480,812.50
Cash and cash equivalents, at ending of year	1,800,790,995.95	337,711,278.33	1,800,790,995.95	337,711,278.33

Notes to financial statements form an intergral part of these statements.

**M.C.S. STEEL PUBLIC COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009 AND 2008**

**1. GENERAL INFORMATION**

(a) Legal status and address of the Company

The Company was registered to be a limited company on June 9, 1992 and transformed into a public company limited under the Limited Public Companies Act with the Ministry of Commerce on February 4, 2005, and the Company name was changed to M.C.S. Steel Public Company Limited.

The address of its registered office is as follows:

70 Moo 2, Changyai, Bangsai, Ayutthaya, Thailand

(b) Nature of the Company's business

Main business activities are production and distribution of structural steel products for building construction and production and distribution of biofertilizer.

According to the Board of Directors' Meeting No. 2/2007 held on February 12, 2007, the management of the Company viewed that its agricultural business segment for production and distribution of biofertilizer has made no progress and is no longer able to operate commercially. At this moment, a resolution has been passed for a restructure by stopping its commercial operation while the experiments for research & development are still allowed to continue as management believes they could bring the nation some benefits in the future by using the same tools and equipment that already exist, except for the part of building being transferred to the structural steel production.

On December 10, 2008, the management of the Company approved to stop the activities for research & development of biofertilizer by December 2008 and discontinue the business. (See Note 20, 26)

**2. SIGNIFICANT ACCOUNTING POLICIES**

2.1 Basis for preparation of financial statements

The financial statements have been prepared in accordance with the accounting standards prescribed by Thai Accounts Act enunciated under the Accounting Profession Act B.E.2547. The presentation of the financial statements has been made in compliance with the Notification of the Department of Business Development, the Ministry of Commerce, re : the financial statements presentation B.E.2552 for public limited company, 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 such financial statements in Thai language.

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

2.2 Adoption of new accounting standards during the year

2.2.1 The Federation of Accounting Professions (FAP) has issued Notification No. 12/2552 dated May 15, 2009, regarding the renumbering of Thai Accounting Standards to be the same as International Accounting Standards.

2.2.2 The Federation of Accounting Professions (FAP) has issued Notification No. 86/2551 and 16/2552, mandating the use of new accounting standards, financial reporting standards and accounting treatment guidance as follows.

a) Accounting standards, financial reporting standards and accounting treatment guidance which are effective for the fiscal year beginning on or after January 1, 2009.

Framework for the Preparation and Presentation of Financial Statements (revised 2007)

TAS 36 Impairment of Assets (revised 2007)

TFRS 5 Non-current Assets Held for Sale and Discontinued Operations  
(revised 2007)

Accounting Treatment Guidance for Leasehold Right

Accounting Treatment Guidance for Business Combination under Common Control

The management of the Company has assessed the effect of these accounting standards, financial reporting standards and accounting treatment guidance and believes that they will not have any significant impact on the financial statements for the current year.

b) Accounting standards which are not effective for the current year.

TAS 20 Accounting for Government Grants and Disclosure of Government  
Assistance (effective on January 1, 2012)

TAS 24 Related Party Disclosures (revised 2007) (effective on January 1, 2011)

TAS 40 Investment Property (effective on January 1, 2011)

The management of the Company is still evaluating the effect of these accounting standards to the financial statements for the year in which they are initially applied.

2.3 Recognition of revenues and expenses

The Company recognizes the revenues arising from sale of structural steel when the goods are made and delivery.

The Company recognizes the other revenues and expenses on the accrual basis.

2.4 Cash and cash equivalents

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

2.5 Allowance for doubtful accounts

The Company provides allowance for doubtful accounts equal to the estimated collection losses that may be incurred in the collection of all receivables (If any). The estimated losses are based on historical collection experience and the possible impact of the economic conditions.

2.6 Inventories

Inventories are shown at the lower of cost or net realizable value. An allowance for declining in value of inventories is made for slow-moving and deteriorated raw materials and knot. Cost is calculated by using method as follows : -

Work in process	Actual cost
Steel plate, knot and supplies	FI-FO method

2.7 Investments in associated companies and subsidiary

Investments in associated companies and subsidiary which are stated at equity method. Equity method presents investments first at cost and subsequently adjusted by equity gain (loss) in net income (loss) of associated companies and subsidiary according to the ratio of investments. The Company recognized share of gain (loss) in associated companies and subsidiary in the statement of income. And adjustments to the carrying amount may also be required arising from changes in the associated companies and subsidiary's equity that have not been included in the income statement (such as, currency conversion differences). The currency conversion of overseas investment was shown under the caption of "Currency conversion differences" of "Shareholders' Equity" in the balance sheet. Foreign exchange differences arising on translation are recognized in a separate component of equity until disposal of the investments.

Investments in associated companies and subsidiary in the separate financial statements of the Company are accounted for using the cost method less allowance for impairment (If any). The Company recognizes impairment loss on the investment in the statement of income for the period in which they are incurred.

2.8 Other long-term investments (General investment)

Long-term investments are stated at cost less allowance for impairment (If any). The Company recognizes impairment loss on the investment in the statement of income for the period in which they are incurred.

2.9 Property, plant and equipment

Land is stated at Cost.

Plant, machinery and crane, equipment, tools and vehicle are stated at cost less accumulated depreciation.

Depreciation is calculated by the straight-line method, based on the estimated useful lives of the assets as follows:

Building	20 years
Machinery and crane	5-10 years
Equipment and tools	5 years
Office equipment	3-5 years
Vehicles	5 years

Since August 2004, the Company changed the measurement subsequent to initial recognition of land, buildings and machinery and crane from cost less any accumulated depreciation and any allowance for impairment (benchmark method by the accounting principle) to a valued amount (allowed alternative method by the accounting principle). The value is determined by an independent appraiser. The surplus resulting from the revaluation was shown under the caption of "Shareholders' Equity" in the balance sheet. The surplus on fixed asset is depreciated over the period of the remaining useful live by directly charging to Revaluation Surplus account (treatment under allowable cost method).

The Company has policy to revalue its assets every five years.

2.10 Intangible asset

Intangible asset is stated at cost less amortization. Amortization is calculated by straight-line method over the estimated useful lives of the intangible asset as follow:-

Computer software	5-10 years
-------------------	------------

2.11 Impairment of Assets

Assets are reviewed for impairment whenever events or changes in circumstances indicated that the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in current operations in the statement of income.

Impairment loss is reversed to other income whenever there is any indication that the impairment loss recognized may no longer exist or may have decreased.

#### 2.12 Related parties

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Company, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

#### 2.13 Foreign currency transactions

Transactions denominated in foreign currencies are translated into Baht at the rates of exchange ruling on the transaction dates. Assets and liabilities denominated in foreign currencies outstanding at the balance sheet date are translated into Baht at the bank rates ruling on that date. Gains and losses on exchange are recognized as income or expenses as incurred.

Statements of income of foreign entities are translated into the Baht at the weighted average exchange rates for the year, and balance sheets are translated at the exchange rates prevailing on the balance sheet date. Currency translation differences arising from the retranslation of the net investment in foreign entities are part of shareholders' equity. On disposal of a foreign entity, accumulated exchange differences are recognized in the statements of income as part of the gain or loss on sale.

#### 2.14 Income tax

Corporate income tax is calculated from net income for the periods adjusted by the items defined under the Revenue Code as taxable or non-taxable income and expense at the rate of 25% per annum starting year 2006 to year 2010.

#### 2.15 Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

## 2.16 Provisions

A Provision is recognized in the balance sheet when the Company has a present legal or constructive obligation as a result of a part event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

## 2.17 Employee benefits

Salaries, wages, incentives, contributions to the social security fund and provident fund are recognized as expenses when incurred.

## 2.18 Earnings per share

Basic earnings per share is calculated by dividing the net profit for the year by the weighted average number of ordinary shares which are issued and paid-up during the year.

## 3. TRANSACTIONS WITH RELATED COMPANY

The Company has certain transactions with its related companies. A portion of the Company's assets, liabilities, revenues, cost and expenses arose from the transactions with the related companies which are related through common shareholdings and/or directorships. The effects of these transactions, which are in the normal course of business, were reflected in the accompanying financial statements on the basis determined by the companies concerned.

The significant transactions between the Company and its related companies reflected in the accompanying financial statements for the years ended December 31, 2009 and 2008 are as follows :-

		In Million Yen		In Million Baht	
		Financial statements in which the equity method is applied/ Separate financial statements		Financial statements in which the equity method is applied/ Separate financial statements	
Pricing Basis		2009	2008	2009	2008
M.C.S. STEEL - JAPAN					
COMPANY LIMITED					
Other income	20% from				
	uncollectible sales	2.51	-	0.89	-
Purchases - raw materials	At cost plus				
	commission 5%	6.46	0.43	2.41	0.13
Administrative expenses	Agree price based				
	on Market price	581.77	556.26	213.39	192.11



The significant outstanding balances as at December 31, 2009 and 2008 are as follows :-

	Type of Relation	Japanese Yen		In Baht	
		Financial statements in which the equity method is applied/ Separate financial statements		Financial statements in which the equity method is applied/ Separate financial statements	
		2009	2008	2009	2008
M.C.S. STEEL - JAPAN COMPANY LIMITED	Subsidiary company				
Other receivable		2,505,578.00	-	896,874.15	-
Accounts payable		-	93,638.00	-	36,500.85
Accrued expense		213,783,002.16	169,665,399.53	78,160,989.64	66,136,930.12

#### 4. CASH AND CASH EQUIVALENTS

This account consisted of :

	In foreign currencies		In Baht	
	Financial statements in which the equity method is applied/ Separate financial statements		Financial statements in which the equity method is applied/ Separate financial statements	
	2009	2008	2009	2008
Cash on hand - Baht	350,000.00	350,000.00	350,000.00	350,000.00
- Japanese Yen	678,650.00	678,650.00	242,923.45	259,195.44
Cash at bank - savings account				
- Baht	633,303,143.74	170,905,310.73	633,303,143.74	170,905,310.73
- U.S.Dollars	5,048.45	2,716.77	167,217.79	94,306.97
- Japanese Yen	2,728,931,175.41	251,289,006.47	976,823,643.16	95,974,307.66
Current investment - fixed deposit - 1 month				
- Baht	70,539,360.59	70,128,157.53	70,539,360.59	70,128,157.53
Current investment - fixed deposit - 3 month				
- Baht	119,364,707.22	-	119,364,707.22	-
Total			1,800,790,995.95	337,711,278.33

Savings account Baht bears interest at the floating rates which are set by bank. (As at December 31, 2009 and 2008 : rate 0.25% and 0.50% per annum, respectively)

Savings account U.S.Dollars and Japanese Yen have no interest.

Current investment - fixed deposit - 1 month bear interest at the floating rates which are set by bank. (As at December 31, 2009 and 2008 : rates 0.375% and 1.25% per annum, respectively)

Current investment - fixed deposit - 3 month bear interest at the floating rates which are set by bank. (As at December 31, 2009 : rates 0.50% - 0.75% per annum)

## 5. ACCOUNTS RECEIVABLE AND RETENTION RECEIVABLE

This account consisted of :

	In foreign currencies		In Baht	
	Financial statements in which the equity method is applied/ Separate financial statements		Financial statements in which the equity method is applied/ Separate financial statements	
	2009	2008	2009	2008
Accounts receivable				
Foreign - Japanese Yen	-	1,482,328,251.00	-	566,142,664.24
Retention receivable				
Foreign - Japanese Yen	225,755,661.00	232,814,284.00	80,809,464.63	88,918,293.88
Total			80,809,464.63	655,060,958.12
Undue receivable			80,809,464.63	655,060,958.12

## 6. INVENTORIES, NET

This account consisted of :

	In Baht	
	Financial statements in which the equity method is applied/ Separate financial statements	
	2009	2008
Work in process	310,597,351.92	262,920,226.66
Raw materials	330,599,332.23	702,885,833.23
Supplies	22,332,848.93	38,451,824.61
Supplies - knot	2,654,651.43	2,866,919.57
Materials in transit	14,354,694.83	3,177,616.98
Total	680,538,879.34	1,010,302,421.05
<u>Less</u> allowance for declining in value of inventories		
- Raw materials and knot	(36,569,237.91)	-
Net	643,969,641.43	1,010,302,421.05

As at December 31, 2009, the Company has pledged total of raw materials as collateral for the part of credit facilities from a financial institute, as discussed in Note 12.

## 7. INVESTMENT IN ASSOCIATES AND SUBSIDIARY

This account consisted of :

						In Thousand Baht					
						Financial statements in which the equity method is applied		Separate financial statements			
	Type of business	Type of relation	Paid up shares		Percentage of ownership		Equity Method		At Cost		Dividend (In Thousand Baht)
			As at December 31, 2009	As at December 31, 2008	As at December 31, 2009	As at December 31, 2008	As at December 31, 2009	As at December 31, 2008	As at December 31, 2009	As at December 31, 2008	
<b>Associated company</b>											
T.K.C. Co., Ltd. (Japan)	Made to order	Shareholding	JPY 12 million	JPY 12 million	25	25	1,095	1,095	1,095	1,095	-
<b>Less</b> Allowance for impairment of investment							(1,095)	(1,095)	(1,095)	(1,095)	-
Net							-	-	-	-	-
M.C.S. STEEL - JAPAN COMPANY LIMITED	Made to order	Shareholding and Co - director	-	JPY 30 million	-	20	-	1,813	-	2,089	-
HUA YIN HOLDING CO., LTD. (CHINA)	Made to order	Shareholding and Co - director	USD 23 million	USD 23 million	19.78	19.78	276,674	301,801	272,042	272,042	-
Total							276,674	303,614	272,042	274,131	-
<b>Subsidiary company</b>											
M.C.S. STEEL - JAPAN COMPANY LIMITED	Made to order	Shareholding and Co - director	JPY 50 million	-	57	-	10,723	-	10,569	-	-
Total							10,723	-	10,569	-	-

Movements of investment in associates and subsidiary during the years were as follows:

		In Thousand Baht			
		Financial statements in which the equity method is applied		Separate financial statements	
		2009	2008	2009	2008
Balance, beginning of year		303,614	274,390	274,131	274,131
Sharing in profits (losses) from investments in associates and subsidiary		(10,545)	4,043	-	-
Acquisitions		8,480	-	8,480	-
Currency conversion differences		(14,152)	25,181	-	-
Reclassification to investments in subsidiary		(10,723)	-	(10,569)	-
Balance, ending of year		276,674	303,614	272,042	274,131

Significant change in the investment in associates and subsidiary as follow:

Associated company

On December 4, 2007, the Company made an additional investment in the ordinary shares of HUA YIN HOLDING CO., LTD. (CHINA) in the amount of Baht 193.12 million in order to increase its ownership stake from 5% to 19.78% of the said company's registered capital. The Company also took part in the control of economic activities as agreed in the agreement to have significant influence, which resulted in the said company becoming an associate with the Company. In the fourth quarter of 2007, investment (at cost) was reclassified to present as investments in associates.

Subsidiary company

At the Board of Directors Meeting No. 8/2008 held on December 10, 2008, the Company had a resolution to increase its shareholding in M.C.S. STEEL - JAPAN COMPANY LIMITED to serve the customers in Japan more efficiently by way of buying shares from capital increase and other shareholders.

On March 23, 2009, the Company made an additional investment in the ordinary shares of M.C.S. STEEL - JAPAN COMPANY LIMITED in the amount of Baht 8.48 million in order to increase its ownership stake from 20% to 57% of the said company's registered capital. The Company purchased the ordinary shares from other shareholders in total of 50 shares at the par value, amounting to Baht 0.94 million (JPY 2.50 million), which is near to the fair value of net asset. Furthermore, the Company purchased the all newly issued capital stock of a subsidiary in the amount of 400 shares in the par value amounting to Baht 7.54 million (JPY 20 million). As a result from this purchase of the share capital increase, the equity of the minority shareholders decreased in the amount of Baht 0.11 million.

The Company took on power in establishing a set of financial policies and operation, which resulted in the said company turning into a subsidiary of the Company, starting from the share acquisition date. In the first quarter of 2009, investments in associates were reclassified to present as investments in subsidiaries.

As at December 31, 2009, the Company did not present the consolidated financial statements because the financial statements of its foreign subsidiary were still under preparation by the management. The subsidiary's net assets as at March 31, 2009 amounted to Baht 19.22 million (0.56% of the Company's total assets) and net profit (loss) for the three-month period ended March 31, 2009 of Baht (0.41) million ((0.07%) of the Company's net profit for the year).

Investment for the Company's separate financial statements

Since the first quarter of 2007, the Company has changed the Accounting for investments in associates and subsidiary presented in the Company's separate financial statements under the cost method rather than the equity method.

**Investment for the Company's financial statements in which the equity method is applied**

The Company has a policy to record the investments in shares of associated company and subsidiary by the equity method. The equity in net profit or loss of the investments in M.C.S STEEL - JAPAN COMPANY LIMITED was calculated from the latest financial statements as at March 31, 2009, which made by Company's management and HUA YIN HOLDING CO., LTD. was calculated from the latest financial statements as at September 30, 2009, which made by Company's management.

As at December 31, 2009 and 2008, investment in associates and subsidiary, using the equity method are as follows:

	In Thousand Baht		Percentage of total assets of financial statements in which the equity method is applied	
	2009	2008	2009	2008
<b><u>Investment in associates</u></b>				
HUA YIN HOLDING CO., LTD. (CHINA)	276,674	301,801	8.03	9.92
M.C.S. STEEL - JAPAN COMPANY LIMITED	-	1,813	-	0.06
	<u>276,674</u>	<u>303,614</u>	<u>8.03</u>	<u>9.98</u>
<b><u>Investment in subsidiary</u></b>				
M.C.S. STEEL - JAPAN COMPANY LIMITED	10,723	-	0.31	-
	<u>10,723</u>	<u>-</u>	<u>0.31</u>	<u>-</u>

Sharing in profits (losses) from investment in associates and subsidiary for the years ended December 31, 2009 and 2008 are as follows:

	In Thousand Baht		Percentage of net profit of financial statements in which the equity method is applied	
	2009	2008	2009	2008
<b><u>Sharing in profit (loss) from investment in associates</u></b>				
HUA YIN HOLDING CO., LTD. (CHINA)	(10,563)	4,253	(1.84)	1.20
M.C.S. STEEL - JAPAN COMPANY LIMITED	-	(211)	-	(0.06)
<b><u>Sharing in profit (loss) from investment in subsidiary</u></b>				
M.C.S. STEEL - JAPAN COMPANY LIMITED	19	-	0.01	-
	<u>(10,544)</u>	<u>4,042</u>	<u>(1.83)</u>	<u>1.14</u>

Investments in associates and subsidiary, using the equity method, had currency conversion of overseas investment. The currency conversion of overseas investment was shown under the caption of “Currency conversion differences” of “Shareholders’ Equity” in the balance sheet are as follows:

	In Thousand Baht		Percentage of investment-at cost		Percentage of total assets of financial statements in which the equity method is applied	
	As at December 31, 2009	As at December 31, 2008	As at December 31, 2009	As at December 31, 2008	As at December 31, 2009	As at December 31, 2008
<b><u>Currency conversion differences</u></b>						
<b><u>Associated company</u></b>						
HUA YIN HOLDING CO., LTD.						
(CHINA)	10,941	25,505	3.87	9.30	0.31	0.84
M.C.S. STEEL - JAPAN						
COMPANY LIMITED	-	(324)	-	(0.12)	-	(0.01)
<b><u>Subsidiary</u></b>						
M.C.S. STEEL - JAPAN						
COMPANY LIMITED	88	-	0.03	-	0.01	-
	11,029	25,181	3.90	9.18	0.32	0.83

## 8. OTHER LONG-TERM INVESTMENTS

### General Investment - At Cost

							In Thousand Baht
	Type of business	Type of relation	Currencies	Paid up shares (Unit:Thousand share )		Percentage of ownership	Financial statements in which the equity method is applied / Separate financial statements
				As at December 31, 2009	As at December 31, 2008	As at December 31, 2009 As at December 31, 2008	At Cost
							As at December 31, 2009 As at December 31, 2008
Kano Sangyo Co., Ltd.	(Japan) Structure steel fabrication	Shareholding	Japanese Yen	84,000	84,000	11.90 11.90	3,238 3,238

## 9. PROPERTY, PLANT AND EQUIPMENT - NET

The account consisted of :-

	In Baht			
	Financial statements in which the equity method is applied/Separate financial statements			
	Balance as at December 31, 2008	Additions	Deductions	Balance as at December 31, 2009
<b>Structural steel business</b>				
<b><u>At appraised value</u></b>				
<u>Cost</u>				
- Land	129,169,372.55	-	-	129,169,372.55
- Building	177,694,998.56	-	-	177,694,998.56
- Machinery and crane	68,535,944.67	-	-	68,535,944.67
Total at cost	375,400,315.78	-	-	375,400,315.78
<u>Revaluation surplus</u>				
- Land	45,985,432.50	-	-	45,985,432.50
- Building	42,589,483.94	-	(4,900,012.24)	37,689,471.70
- Machinery and crane	10,722,224.59	-	(5,275,102.01)	5,447,122.58
Total revaluation surplus	99,297,141.03	-	(10,175,114.25)	89,122,026.78
Total at appraised value	474,697,456.81			464,522,342.56
<u>Less Accumulated depreciation</u>				
- Building	(52,898,792.48)	(11,808,974.67)	-	(64,707,767.15)
- Machinery and crane	(59,352,272.44)	(6,489,645.45)	-	(65,841,917.89)
Total accumulated depreciation	(112,251,064.92)	(18,298,620.12)	-	(130,549,685.04)
<u>Less Loss on revaluation</u>				
- Land	(4,643,555.05)	-	-	(4,643,555.05)
- Machinery and crane	(1,141,987.97)	-	-	(1,141,987.97)
Total loss on revaluation	(5,785,543.02)	-	-	(5,785,543.02)
At appraised value - net	356,660,848.87			328,187,114.50
<b>Fixed assets acquired after appraisal</b>				
<u>At cost</u>				
- Building	132,624,021.15	1,073,335.50	-	133,697,356.65
- Machinery and crane	112,748,932.15	-	-	126,929,683.22
- Construction in progress	-	62,332,363.39	-	62,332,363.39
- Machinery and crane in progress	-	21,829,922.44	-	21,829,922.44
Total at cost	245,372,953.30	85,235,621.33	-	344,789,325.70
<u>Less Accumulated depreciation</u>				
- Building	(17,571,370.88)	(8,400,215.69)	-	(25,971,586.57)
- Machinery and crane	(52,639,421.21)	(21,394,724.61)	-	(79,164,280.11)
Total accumulated depreciation	(70,210,792.09)	(29,794,940.30)	-	(105,135,866.68)
At cost - net	175,162,161.21			239,653,459.02
At appraised value - net	531,823,010.08			567,840,573.52

	In Baht				
	Financial statements in which the equity method is applied/Separate financial statements				
	Balance as at December 31, 2008	Additions	Deductions	Transfer in (out)	Balance as at December 31, 2009
<b>Fixed assets at cost</b>					
- Tools and equipment	70,222,995.39	13,619,326.69	(2,381,477.60)	(14,148,766.07)	67,312,078.41
- Furniture, fixture and office equipment	41,325,080.84	4,413,099.44	(5,000,113.96)	792,663.71	41,530,730.03
- Vehicle	5,535,336.45	3,247,000.00	(2,000,000.00)	-	6,782,336.45
Total at cost	117,083,412.68	21,279,426.13	(9,381,591.56)	(13,356,102.36)	115,625,144.89
<b>Less Accumulated depreciation</b>					
- Tools and equipment	(45,807,724.00)	(6,355,400.12)	2,242,001.19	4,832,626.76	(45,088,496.17)
- Furniture, fixture and office equipment	(26,352,368.66)	(7,100,458.97)	4,857,135.17	(457,259.67)	(29,052,952.13)
- Vehicle	(550,283.25)	(1,265,625.22)	232,758.44	-	(1,583,150.03)
Total accumulated depreciation	(72,710,375.91)	(14,721,484.31)	7,331,894.80	4,375,367.09	(75,724,598.33)
At cost - net	44,373,036.77				39,900,546.56
Total	576,196,046.85				607,741,120.08
<b>Biofertilizer business (Discontinuing operations)</b>					
<b>Fixed assets at cost</b>					
- Tools and equipment	7,897,368.05	-	-	(452,915.00)	7,444,453.05
- Furniture, fixture and office equipment	1,225,106.43	-	-	(371,733.71)	853,372.72
Total at cost	9,122,474.48	-	-	(824,648.71)	8,297,825.77
<b>Less Accumulated depreciation</b>					
- Tools and equipment	(6,783,174.74)	(848,549.92)	-	410,481.00	(7,221,243.66)
- Furniture, fixture and office equipment	(1,064,510.11)	(129,812.60)	-	344,286.20	(850,036.51)
Total accumulated depreciation	(7,847,684.85)	(978,362.52)	-	754,767.20	(8,071,280.17)
At cost - net	1,274,789.63				226,545.60
Property, plant and equipment - net	577,470,836.48				607,967,665.68

	In Baht	
	Financial statements in which the equity method is applies / Separate financial statements	
	For the years ended	
	December 31,	
	2009	2008
Depreciation in the income statement was shown in		
Cost of sales	49,917,579.68	47,192,171.72
Administrative expenses	13,875,827.57	12,399,937.27
Total	63,793,407.25	59,592,108.99



Since August 2004, the Company has changed the valuation after to initial recognition of land, buildings and machinery and crane from cost less accumulated depreciation and allowance for impairment (required practice under the accounting standard) to a valued amount, (optional practice under accounting standard) which is the value determined by an independent appraiser. (Thai Property Appraisal Lynn Phillips Co., Ltd.). The increase in revaluation on fixed asset is depreciated over the period of the remaining useful lives by directly charging to the Revaluation Surplus account (treatment under allowable cost method). If the Company chooses to account for depreciation through the statement of income (basis required by the accounting standard), the net profit for the years ended December 31, 2009 and 2008, would decrease by Baht 10.18 million and Baht 10.89 million and earnings per share would decrease by Baht 0.02 per share and Baht 0.02 per share, respectively.

In the fourth quarter of 2009, the Company revalued land, buildings and machinery and crane. The revaluation is in accordance with the Company's accounting policy which requires a revaluation by professional independent valuers to be carried out every 5 years. As at December 31, 2009, the Company did not recognized the recent revaluation because the recent revaluation were still under consideration by the management.

As at December 31, 2009 and 2008, Land including building and some machinery are mortgaged as collateral against overdraft line, letter of credit, trust receipt, aval note, letter of guarantee and forward exchange contracts amounting to Baht 507.60 million and Baht 392.60 million, respectively.

As at December 31, 2009, the Company has machinery and crane, tools and equipment, furniture, fixture and office equipment (at cost) which were fully depreciated but still in use amounted to Baht 139,846,358.03 Baht 42,846,800.19 and Baht 18,614,482.91, respectively.

#### 10. **RESTRICTED DEPOSIT**

This account consisted of :-

	In foreign currencies		In Baht	
			Financial statements in which the equity method is applied/ Separate financial statements	
	2009	2008	2009	2008
Cash at bank - Savings account (Japanese Yen)	-	150,000,000.00	-	57,289,200.00
Cash at bank - Fixed deposit (included interest) (Baht)	-	88,100,545.83	-	88,100,545.83
Total			-	145,389,745.83

Savings account Japanese Yen has no interest.

Fixed deposit accounts bear interest at the floating rates which are set by bank. (As at December 31, 2008 : rates 2.625% per annum)

As at December 31, 2008, the Company has deposit pledged as collateral against credit facilities under letter of credit and trust receipt with a local financial institution, 3 months fixed deposit at the principal amount of Baht 85 million and savings account of Yen 150 million.

In the third quarter of 2009, the Company revised mortgage as collateral against credit facilities which cancelled pledge of savings account and 3 months fixed deposit. Therefore the Company classified such deposits to cash and cash equivalents account. (See Note 4)

# 11. **OTHER NON-CURRENT ASSETS**

This account consisted of :-

	In Baht	
	Financial statement in which the equity method is applied / Separate financial statements	
	2009	2008
Intangible assets-net	3,494,169.09	2,797,018.57
Deposit and guarantee	8,625.00	270,600.00
Total	3,502,794.09	3,067,618.57

Intangible assets-net consisted of :-

	In Baht			
	Balance as at December 31, 2008	Additions	Deductions	Balance as at December 31, 2009
<u>At Cost</u>				
Computer software	6,028,464.44	1,512,974.18	-	7,541,438.62
<u>Less</u> Accumulated amortization	(3,231,445.87)	(815,823.66)	-	(4,047,269.53)
Net	2,797,018.57	697,150.52	-	3,494,169.09

	In Baht	
	Financial statement in which the equity method is applied / Separate financial statements	
	For the years ended December 31,	
	2009	2008
Amortization in the income statement was shown in		
Administrative expenses	815,823.66	789,611.92
Total	815,823.66	789,611.92

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

As at December 31, 2009 and 2008, the Company has overdraft lines with a commercial bank totalling Baht 5 million, carrying interest at floating rate MOR per annum.

As at December 31, 2009 and 2008, the Company has trust receipt and letter of credit with a commercial bank totalling Baht 1,300 million and Baht 1,000 million, respectively, carrying bank charge at 0.0833% per three months.

As at December 31, 2009 and 2008, the Company has aval note payable line with a commercial bank totalling Baht 10 million, carrying bank charge at 2% per annum.

As at December 31, 2008, overdraft lines, trust receipts, letter of credit and aval note are guaranteed by a mortgage of the Company's land including building and some machinery, fixed deposit and savings account. In the third quarter 2009, the Company revised mortgage as collateral against credit facilities which cancelled pledge of savings account and fixed deposit. The Company has increased mortgage which are the Company's land including building and total raw materials.

### 13. ACCOUNTS PAYABLE AND NOTE PAYABLE

This account consisted of :

	In Baht			
	In foreign currencies		Financial statements in which the equity method is applied/ Separate financial statements	
	2009	2008	2009	2008
Baht	43,864,251.53	37,577,676.46	43,864,251.53	37,577,676.46
Japanese Yen	2,845,116,603.00	2,865,185,645.00	1,040,200,236.09	1,116,872,285.87
US Dollar	22,299.00	1,490,582.46	747,391.11	52,293,210.08
Total			<u>1,084,811,878.73</u>	<u>1,206,743,172.41</u>

### 14. PROVISION LONG - TERM FOR WARRANTY UNDER CONTRACT

The Company has set a provision for product warranty against any loss or damage that might occur at the rate 1.8% of the value of goods sold and delivered to the buyer as specified in the contract. The warranty will cover a period of two years, commencing as from the date in which the full amount has been completely delivered based upon management experience and current information.

	In Baht	
	Financial statements in which the equity method is applied/ Separate financial Statements	
	As at December 31, 2009	As at December 31, 2008
Balance, beginning of year	130,991,069.65	95,864,980.89
<u>Add</u> Additional during the year	71,026,786.93	55,133,700.61
<u>Less</u> Payment during the year	(30,551,126.06)	(9,393,521.11)
Write-off during the year	-	(10,614,090.74)
Balance, ending of year	171,466,730.52	130,991,069.65
<u>Less</u> Current portion of provision for warranty under contract	(109,183,721.36)	(75,857,369.03)
Provision long - term for warranty under contract	<u>62,283,009.16</u>	<u>55,133,700.62</u>

## 15. **TREASURY STOCK**

By the resolution of the meeting of the Company's Board of Directors no. 6/2008, held on October 24, 2008, the Company approved to repurchase its shares for financial management purposes, under the share repurchase scheme, with the investment not to exceed Baht 150 million or in term of shares repurchased not to exceed 50 million shares, equivalent to 10% of the total issued and paid-up shares of the Company. The period for the repurchase of the shares is from November 12, 2008 to May 11, 2009 and the resale period will be fixed by the Board of Directors (after 6 months from the completion date of the share repurchase and not exceed 3 years). In the event that the Company does not or is unable to dispose of all repurchased shares within the set period, when the due date has passed the Company is to reduce its paid-up capital by writing-off the remaining unsold repurchased shares.

As at May 12, 2009, (ending date of the share repurchase program) the Company did not process this program due to the management's consideration of the current situation and the world economic outlook. The Company should think of keeping the cash for working capital.

## 16. **REVALUATION SURPLUS**

Since August 2004, the Company has changed the valuation subsequent to the initial recognition of land, buildings and machinery and crane from cost less accumulated depreciation method to a valued amount based on the value appraised by an independent appraiser. The methods used for the appraisal are:

- In appraisal of land, the valuer used the "market approach" method
- In appraisal of buildings and machinery and crane, the valuer used the "Depreciated Replacement Cost" method

The surplus resulting from revaluation of land, buildings and machinery and crane was shown under the caption of "Revaluation Surplus" and "Shareholders' Equity" in the balance sheet.

Transactions of revaluation surplus are as follows :

	In Baht			
	Financial statements in which the equity method is applied / Separate financial statements			
	Land	Building	Machinery and crane	Total
<b><u>Revaluation surplus :-</u></b>				
Balance as at January 1, 2008	45,985,432.50	47,489,496.24	16,716,299.10	110,191,227.84
Increase (decrease) from revaluation	-	-	-	-
Decrease from amortization	-	(4,900,012.30)	(5,994,074.51)	(10,894,086.81)
Disposal of asset	-	-	-	-
Balance as at December 31, 2008	45,985,432.50	42,589,483.94	10,722,224.59	99,297,141.03
Increase (decrease) from revaluation	-	-	-	-
Decrease from amortization	-	(4,900,012.24)	(5,275,102.01)	(10,175,114.25)
Disposal of asset	-	-	-	-
Balance as at December 31, 2009	<u>45,985,432.50</u>	<u>37,689,471.70</u>	<u>5,447,122.58</u>	<u>89,122,026.78</u>

The "Revaluation Surplus" is not available for dividend distribution.

#### **17. LEGAL RESERVE**

Under the provision of the Public Limited Companies Act B.E.2535, the Company is required to set aside at least 5% of its annual net income after deduction of the deficit brought forward (if any) as reserve fund until the reserve reaches 10% of the authorized share capital. The reserve is not available for dividend distribution.

The Company had appropriated its legal reserve fund until the reserve reached 10% of the authorized share capital.

#### **18. DIVIDEND PAID**

At the Board of Directors meeting 2/2009 held on February 28, 2009, the board unanimously approved to pay dividends from the earnings for the six-month period ended December 31, 2008 at Baht 0.20 per share amounting to Baht 100 million. The Company paid the dividend on April 27, 2009.

The dividend was approved by the 2009 Annual General Shareholders Meeting on April 10, 2009.

At the Board of Directors meeting 5/2009 held on August 7, 2009, the board unanimously approved to pay dividends from the earnings for the six-month period ended June 30, 2009, at Baht 0.15 per share amounting to Baht 75 million. The Company paid the dividend on September 7, 2009.

At the Board of Directors meeting 2/2008 held on February 15, 2008, the board unanimously approved to pay dividends from the earnings for the six-month period ended December 31, 2007 at Baht 0.23 per share amounting to Baht 115 million. The Company paid the dividend on April 16, 2008.

The dividend was approved by the 2008 Annual General Shareholders Meeting on March 27, 2008.

At the Board of Directors meeting 5/2008 held on August 11, 2008, the board unanimously approved to pay dividends from the earnings for the six-month period ended June 30, 2008, at Baht 0.10 per share amounting to Baht 50 million. The Company paid the dividend on September 12, 2008.

#### **19. PROVIDENT FUND**

The Company established a contributory registered provident fund covering all permanent employees in accordance with the Provident Fund Act B.E.2530.

Under the provident fund scheme, employees' and Company's contributions are equivalent to certain percentages of the employees' basic salaries. The employees are entitled to the Company's contributions in accordance with the rules and regulations of the fund and on the length of service with the Company. The Company appointed a fund manager to manage the fund in accordance with the terms and conditions of the Provident Fund Act B.E.2530.

The Company's contribution for the years ended December 31, 2009 and 2008 amounted to Baht 2.33 million and Baht 1.91 million, respectively.

## 20. BUSINESS SEGMENT INFORMATION

Business segment information of the Company and items relating to the operations of both current and discontinued operations include in the earnings statements are as follows :-

### **Financial statements in which the equity method is applied**

	For the year ended December 31, 2009 (In Baht)				
	Continuing operations			Discontinuing	
	Structural steel			operations	
	Local	Foreign	Total	Biofertilizer	Total
Revenues					
Sales	-	3,945,932,607.48	3,945,932,607.48	-	3,945,932,607.48
Gain on exchange rate	-	39,406,216.21	39,406,216.21	-	39,406,216.21
Other income	-	39,195,178.95	39,195,178.95	49,400.00	39,244,578.95
Total revenues	-	4,024,534,002.64	4,024,534,002.64	49,400.00	4,024,583,402.64
Expenses					
Cost of sales	-	2,752,338,710.67	2,752,338,710.67	-	2,752,338,710.67
Selling expenses	-	277,606,367.47	277,606,367.47	-	277,606,367.47
Administrative expenses	-	180,239,076.51	180,239,076.51	978,362.52	181,217,439.03
Total expenses	-	3,210,184,154.65	3,210,184,154.65	978,362.52	3,211,162,517.17
Sharing in profits (losses) from investments in associates and subsidiary	-	(10,544,340.23)	(10,544,340.23)	-	(10,544,340.23)
Profit before finance costs and income tax	-	803,805,507.76	803,805,507.76	(928,962.52)	802,876,545.24
Finance costs	-	40,151.09	40,151.09	-	40,151.09
Profit before income tax	-	803,765,356.67	803,765,356.67	(928,962.52)	802,836,394.15
Income tax	-	226,575,984.30	226,575,984.30	-	226,575,984.30
Net profit	-	577,189,372.37	577,189,372.37	(928,962.52)	576,260,409.85
As at December 31, 2009					
Property, plant and equipment - net			607,741,120.08	226,545.60	607,967,665.68
Other assets					2,835,572,805.05
Total					3,443,540,470.73

For the year ended December 31, 2008 (In Baht)					
	Continuing operations			Discontinuing	
	Structural steel			operations	
	Local	Foreign	Total	Biofertilizer	Total
Revenues					
Sales	82,695,000.00	3,062,983,367.50	3,145,678,367.50	-	3,145,678,367.50
Other income	1,592,832.93	58,997,772.06	60,590,604.99	703,424.00	61,294,028.99
Total revenues	84,287,832.93	3,121,981,139.56	3,206,268,972.49	703,424.00	3,206,972,396.49
Expenses					
Cost of sales	59,448,801.32	2,103,919,459.05	2,163,368,260.37	-	2,163,368,260.37
Selling expenses	975,078.00	375,203,655.33	376,178,733.33	-	376,178,733.33
Administrative expenses	3,382,978.72	125,303,918.69	128,686,897.41	2,714,665.41	131,401,562.82
Loss on exchange rate	-	60,512,868.32	60,512,868.32	-	60,512,868.32
Total expenses	63,806,858.04	2,664,939,901.39	2,728,746,759.43	2,714,665.41	2,731,461,424.84
Sharing in profits (losses) from investments in associates and subsidiary	-	4,042,480.24	4,042,480.24	-	4,042,480.24
Profit before finance costs and income tax	20,480,974.89	461,083,718.41	481,564,693.30	(2,011,241.41)	479,553,451.89
Finance costs	-	-	-	-	-
Profit before income tax	20,480,974.89	461,083,718.41	481,564,693.30	(2,011,241.41)	479,553,451.89
Income tax	5,405,701.65	120,630,418.71	126,036,120.36	-	126,036,120.36
Net profit	15,075,273.24	340,453,299.70	355,528,572.94	(2,011,241.41)	353,517,331.53
As at December 31, 2008					
Property, plant and equipment - net			576,196,046.85	1,274,789.63	577,470,836.48
Other assets					2,464,983,509.33
Total					3,042,454,345.81

**Separate financial Statements**

For the year ended December 31, 2009 (In Baht)					
	Continuing operations			Discontinuing operations	
	Structural steel			Biofertilizer	Total
	Local	Foreign	Total		
Revenues					
Sales	-	3,945,932,607.48	3,945,932,607.48	-	3,945,932,607.48
Gain on exchange rate	-	39,406,216.21	39,406,216.21	-	39,406,216.21
Other income	-	39,195,178.95	39,195,178.95	49,400.00	39,244,578.95
Total revenues	-	4,024,534,002.64	4,024,534,002.64	49,400.00	4,024,583,402.64
Expenses					
Cost of sales	-	2,752,338,710.67	2,752,338,710.67	-	2,752,338,710.67
Selling expenses	-	277,606,367.47	277,606,367.47	-	277,606,367.47
Administrative expenses	-	180,239,076.51	180,239,076.51	978,362.52	181,217,439.03
Total expenses	-	3,210,184,154.65	3,210,184,154.65	978,362.52	3,211,162,517.17
Profit before finance costs and income tax	-	814,349,847.99	814,349,847.99	(928,962.52)	813,420,885.47
Finance costs	-	40,151.09	40,151.09	-	40,151.09
Profit before income tax	-	814,309,696.90	814,309,696.90	(928,962.52)	813,380,734.38
Income tax	-	226,575,984.30	226,575,984.30	-	226,575,984.30
Net profit	-	587,733,712.60	587,733,712.60	(928,962.52)	586,804,750.08
As at December 31, 2009					
Property, plant and equipment - net			607,741,120.08	226,545.60	607,967,665.68
Other assets					2,830,786,169.03
Total					3,438,753,834.71

For the year ended December 31, 2008 (In Baht)					
	Continuing operations			Discontinuing operations	
	Structural steel			Biofertilizer	Total
	Local	Foreign	Total		
Revenues					
Sales	82,695,000.00	3,062,983,367.50	3,145,678,367.50	-	3,145,678,367.50
Other income	1,592,832.93	58,997,772.06	60,590,604.99	703,424.00	61,294,028.99
Total revenues	84,287,832.93	3,121,981,139.56	3,206,268,972.49	703,424.00	3,206,972,396.49
Expenses					
Cost of sales	59,448,801.32	2,103,919,459.05	2,163,368,260.37	-	2,163,368,260.37
Selling expenses	975,078.00	375,203,655.33	376,178,733.33	-	376,178,733.33
Administrative expenses	3,382,978.72	125,303,918.69	128,686,897.41	2,714,665.41	131,401,562.82
Loss on exchange rate	-	60,512,868.32	60,512,868.32	-	60,512,868.32
Total expenses	63,806,858.04	2,664,939,901.39	2,728,746,759.43	2,714,665.41	2,731,461,424.84
Profit before finance costs and income tax	20,480,974.89	457,041,238.17	477,522,213.06	(2,011,241.41)	475,510,971.65
Finance costs	-	-	-	-	-
Profit before income tax	20,480,974.89	457,041,238.17	477,522,213.06	(2,011,241.41)	475,510,971.65
Income tax	5,405,701.65	120,630,418.71	126,036,120.36	-	126,036,120.36
Net profit	15,075,273.24	336,410,819.46	351,486,092.70	(2,011,241.41)	349,474,851.29
As at December 31, 2008					
Property, plant and equipment - net			576,196,046.85	1,274,789.63	577,470,836.48
Other assets					2,435,500,848.13
Total					3,012,971,684.61



## 21. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year by the weighted average number of ordinary shares which are issued and paid-up during the year.

	Financial statements in which the equity			
	method is applied		Separate financial statements	
	For the years ended December 31,		For the years ended December 31,	
	2009	2008	2009	2008
Net profit attributable to ordinary shareholders (Baht)	576,260,409.85	353,517,331.53	586,804,750.08	349,474,851.29
Weighted average number of ordinary shares (Shares)	500,000,000	500,000,000	500,000,000	500,000,000
Basic earnings per share (Baht per shares)	1.15	0.71	1.17	0.70

## 22. EXPENSES BY NATURE

Significant expenses by nature are as follow:

	In Baht	
	Financial statements in which the	
	equity method is applied/	
	Separate financial statements	
	For the years ended December 31,	
	2009	2008
Raw materials used	2,232,991,531.19	1,694,872,128.57
Indirect supplies used	138,215,474.22	143,735,939.83
Shipping clearance export	277,606,367.47	376,178,733.33
Provision for warranty under contract	71,026,786.93	44,519,609.87
Repair expenses	26,277,045.44	27,400,421.19
Drawing expenses	19,987,028.30	9,666,968.26
Depreciation and amortization	64,609,230.91	60,381,720.91
Employee benefit costs	164,232,499.72	149,921,238.94

The employee benefit costs consisted of salary, incentives social security, provident fund and welfare.

## 23. MANAGEMENT BENEFIT EXPENSES

	In Baht	
	Financial statements in which the equity method is applied/ Separate financial statements	
	For the years ended December 31,	
	2009	2008
Management benefit expenses	16,593,864.64	17,256,936.97

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

## 24. FINANCIAL INSTRUMENTS

### 24.1 Financial risk management

The Company manages its financial risk exposure on financial assets and financial liabilities in normal business by its internal management and control system and the Company does not hold or issue any derivative instruments except for forward exchange contracts.

### 24.2 Credit risk

The Company made to order structural steel for building construction to overseas companies. The payment will be made in accordance with the letter of credit through the bank by the buyer.

### 24.3 Interest rate risk

Interest rate risk arises from the potential for a change in interest rate to have an adverse effect on the Company in the current reporting period and in future years.

### 24.4 Foreign currency risk

The Company's exposure to foreign currency risk relates primarily to its deposit at financial institution, accounts receivable, accounts payable, accrued expense in US dollars and Japanese yen.

As at December 31, 2009 and 2008, the Company's foreign currency assets and liabilities were as follows:

	Financial statements in which the equity method is applied/ Separate financial statements	
	As at December 31, 2009	As at December 31, 2008
The value of foreign currency assets - YEN	2,955.67 million	2,117.11 million
The value of foreign currency liabilities - USD	0.02 million	1.49 million
The value of foreign currency liabilities - YEN	3,059.50 million	3,040.76 million

As at December 31, 2009 and 2008, the forward contracts in which the duration is between 4 to 6 months were as follows:

As at December 31, 2009				
	Forward contract		Fair value	The outstanding
	(million JPY)	(million baht)	(million Baht)	period (Days)
The selling contract	0.11	0.04	0.04	68
The selling contract	101.82	37.93	36.51	144
The selling contract	300.00	114.03	107.58	145
The selling contract	300.00	114.03	107.58	145
The selling contract	300.00	115.36	107.58	146
Total	1,001.93	381.39	359.29	

As at December 31, 2008				
	Forward contract		Fair value	The outstanding
	(million JPY)	(million Baht)	(million Baht)	period (days)
The buying contract	73.76	23.88	28.22	16
The buying contract	82.97	27.30	31.80	75
The buying contract	76.45	27.55	29.30	56
	233.18	78.73	89.32	
The selling contract	300.00	97.53	114.97	64
The selling contract	300.00	101.19	115.03	97
The selling contract	300.00	108.75	115.00	114
	900.00	307.47	345.00	

As at December 31, 2008				
	Forward contract		Fair value	The outstanding
	(million USD)	(million Baht)	(million Baht)	period (days)
The buying contract	0.69	23.95	24.27	16
The buying contract	0.79	27.36	27.83	75
The buying contract	0.79	27.60	27.92	56
Total	2.27	78.91	80.02	

## 24.5 Fair Value

The fair value of significant financial assets and financial liabilities does not differ from their carrying value.

## 25. **INCOME TAX**

Corporate income tax is calculated from net income for the periods adjusted by the items defined under the Revenue Code as taxable or non-taxable significant income or tax expense such as, provision for warranty under contract at the rate of 25% per annum starting from the year 2006 to 2010.

The reconciliation between accounting profit and taxable profit are as follow:

	In Baht			
	Financial statements in which the equity method is applied		Separate financial statements	
	2009	2008	2009	2008
The accounting profit before income tax	802,836,394.15	479,553,451.89	813,380,734.38	475,510,971.65
The accounting effect on revenue and expenses which are not considered to be taxable revenues and expenses				
- Sharing in loss (profit) from investment in associates and subsidiary	10,544,340.23	(4,042,480.24)	-	-
- Allowance for declining in value of inventories	36,569,237.91	-	36,569,237.91	-
- Provision for import duty	15,896,268.75	-	15,896,268.75	-
- Provision for warranty under contract	71,026,786.93	55,133,700.61	71,026,786.93	55,133,700.61
- Payment of provision for warranty under contract	(30,551,126.06)	(9,393,521.11)	(30,551,126.06)	(9,393,521.11)
- Write-off of provision for warranty under contract	-	(10,614,090.74)	-	(10,614,090.74)
- Tax privilege	(2,418,426.28)	(6,759,022.95)	(2,418,426.28)	(6,759,022.95)
- Other reconciliation	2,400,461.55	266,443.98	2,400,461.55	266,443.98
Taxable profit	906,303,937.18	504,144,481.44	906,303,937.18	504,144,481.44
Income tax for the year (at the rate 25%)	226,575,984.30	126,036,120.36	226,575,984.30	126,036,120.36

## 26. **DISCONTINUING OPERATIONS**

On December 10, 2008, the management of the Company approved to stop the activities for research & development of biofertilizer by December 2008 and discontinue the business.

### Assets, liabilities and operations of discontinuing operations (biofertilizer products)

	In Baht	
	Financial statements in which the equity method is applied/ Separate financial statements	
	As at December 31, 2009	As at December 31, 2008
Balance sheets		
Assets	226,545.60	1,274,789.63
Liabilities	-	-
(No liabilities and obligation from discontinuing operations)		
Net assets (See Note 20)	226,545.60	1,274,789.63

	In Baht	
	Financial statements in which the equity method is applied/ Separate financial statements	
	For the years ended December 31,	
	2009	2008
Statement of income		
Revenues	49,400.00	703,424.00
Expenses	978,362.52	2,714,665.41
Net loss (See Note 20)	(928,962.52)	(2,011,241.41)

Net cash flows of the discontinuing operations (biofertilizer products)

	In Baht	
	Financial statements in which the equity method is applied/ Separate financial statements	
	For the years ended December 31,	
	2009	2008
Net cash provided by (used in) operating activities	49,400.00	(205,999.34)
Net cash provided by (used in) investing activities	-	(70,084.80)
Net cash provided by (used in) financing activities	-	-
Increase (decrease) in cash and cash equivalents, net	49,400.00	(276,084.14)

The Company has transaction in during period as follow:

Tools, equipment, furniture, fixture and office equipment

As at December 31, 2009 and 2008, the balance of tools, equipment, furniture, fixture and office equipment were Baht 0.23 million and Baht 1.27 million, respectively and stated at cost or net realizable value. The tools, equipment, furniture, fixture and office equipment of biofertilizer products after discontinuing operations will be sold to general buyers.

Termination of employees

The Company has no liabilities from the partial lay-off. The remaining employees were transferred to the structural steel production.

**27. COMMITMENTS AND CONTINGENT LIABILITIES**

As at December 31, 2009,

- 27.1 The Company is contingently liable for the letters of guarantee in respect of electricity usage, purchase of local goods and performance bond in the amount of Baht 7.01 million and product warranty in the amount approximately Baht 130.77 million. (JPY 362.31 million)
- 27.2 The Company has unused letter of credit in the amount approximately Baht 97.68 million.
- 27.3 The Company has commitment under 9 sales contracts to deliver the products amount approximately Baht 3,646.63 million. (JPY 10,187.50 million)

## 28. RECLASSIFICATION

28.1 The Company has applied the Thai Accounting Standard no.1 (revised 2007) (former TAS 35) “Presentation of financial statements” and no.7 (revised 2007) (former TAS 25) “Cash flow statement”. Therefore, the formats of the presentations have been adjusted to conform to the accounting standards referred to above.

	In Baht			
	Financial statement in which the equity method is applies		Separate financial statements	
	As reclassified	As previously reported	As reclassified	As previously reported
<b><u>BALANCE SHEET AS AT DECEMBER 31, 2008</u></b>				
Current portion of provision for				
warranty under contract	75,857,369.03	130,991,069.65	75,857,369.03	130,991,069.65
Provision long - term for warranty under				
contract	55,133,700.62	-	55,133,700.62	-

28.2 Certain amounts in the financial statements for the year ended December 31, 2008 have been reclassified to conform to the current year’s classification but with no effect on previously reported net income (loss) or shareholders’ equity. The reclassifications are as follow:

	In Baht			
	Financial statement in which the equity method is applies		Separate financial statements	
	As reclassified	As previously reported	As reclassified	As previously reported
<b><u>STATEMENTS OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2008</u></b>				
Cost of sales	2,163,368,260.37	2,539,546,993.70	2,163,368,260.37	2,539,546,993.70
Selling and administrative expenses	-	128,144,462.82	-	128,144,462.82
Selling expenses	376,178,733.33	-	376,178,733.33	-
Administrative expenses	114,144,625.85	-	114,144,625.85	-
Directors' remuneration	-	3,257,100.00	-	3,257,100.00
Management benefit expenses	17,256,936.97	-	17,256,936.97	-

## 29. APPROVAL OF FINANCIAL STATEMENTS

These financial statements have been approved by the Company’s Board of Directors on February 26, 2010.