

ทุกวันนี้ดีกว่าเมื่อวาน
Better than yesterday, everyday



Annual Report 2010

M.C.S. Steel Public Co.,Ltd.

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Message from the Executive Chairman



This has been another record breaking year for us, with profits exceeding 797 million baht for the first time in company history. Although our revenues were lower compared to last year, we were able to secure material at competitive costs thus improving our profit margins.

Whilst celebrating our achievements, we note the drastic changes that have taken place in the steel industry over the course of the preceding year. Following rampant M&A activity the steel sector has consolidated, with there now only being three major raw material suppliers. This has led to changes in the manner in which raw material price is negotiated, with quarterly negotiations taking place. This can lead to greater volatility in material price, which will impact on us greatly, as 50-60% of our total cost is derived from raw material costs.

Separately, we would like to report on the following:

1. We have made our application for S grade certification, which has never been successfully applied for before by a foreign fabricator (due to extremely difficult requirements). We have placed this as a high priority objective and believe we will succeed with our application, although certain political agendas may prove to be an obstacle (results are announced in April). Regardless of the result, we will be in a stronger position vis-a-vis our competitors as a result of the whole preparation process.

2. Our Taiwan bridge work has been delayed since we have not been able to obtain the necessary approvals from related government agencies. However, it remains part of our long term survival policy and we will continue to make efforts next year to start our bridge work as planned.

3. We have set up a welder training school; it might not be the first one in Thailand but could be the first of its kind (in scale and the way it has attached to a fully functional testing laboratory). We can train up to 100 or more certified welders (AWS, JIS, AW etc.) a year, which can not only ensure we have enough skilled welders we need in this company but also support our expansion in either China or Japan.

4. We have completed our factory expansion and we have increased our output by another 10,000 ton per year. More importantly, our new facility can handle up to 100 ton structure, which will give us an edge in relation to large structure work, particularly infrastructure projects, since very few fabricators are so equipped. Our handling of the MRT project now an example of this.

5. Through lengthy efforts we have finally secure one Japanese work for the Xiamen factory which will be started by March 2011. It will increase our potential output to Japan by another 10-20,000 ton a year in the near future. When Chinese material can be utilized for Japanese projects, it will also give us better alternative material choices in the future.

6. When we mention potential of the Xiamen factory, we also have to admit that our China investment has not lived up to our expectations, mainly due to furious competition in the Chinese market (there are currently more than 7000 fabricators in China), and slow management reaction especially in personnel arrangements. We can choose to cut loss and pull out from the Chinese investment; however we still believe our original concept of having a foothold in China is a must for any fabricator will be proven an accurate one in the long term. Therefore, we think we should alter our approach. We believe we need more control on company management policy and should focus on one factory at a time. We are negotiating with major Hua Yin shareholders to allow us to shift our investment with Hua Yin to the Xiamen factory, while maintaining around 5% shareholding with the existing company, combining 15% of existing shares and by injecting another around 120 million baht investment we should be able to take control of around 80% of the Xiamen factory. The process requires breaking up the existing Hua Yin holding and setting up new companies, which is a complicated process. We have asked major Chinese law firms to start the necessary investigation, and wish we can get approval from our directors and eventually able to make report to our shareholders accordingly.

With excess of easy money floating everywhere in the world these days, all commodities become possible targets for funds. As such, businesses become volatile for different reasons than in the past. We realize there are so many factors which will ultimately affect our performance. We should only keep on preparing ourselves for the future regardless of short term effects.

1. To combat the poor economic situation in Japan, we have decided to increase our client base. Now we have approached Obayashi and Taisei corporation, the remaining 2 general contractors among the so called "big 5", and will start to work on their project in the later part of next year. While the Xiamen factory can provide low cost product with lower priced Chinese material, we should be able to continue to secure projects with Kajima, Shimizu or Takenaka.

2. In consideration of a possible downturn of the Japanese market, we have to set more emphasis on other markets, be it overseas projects for Japanese contractors, or infrastructure / mining / power plant related projects for other large foreign contractors. Our remaining 5% of Hua Yin holding is precisely for such purpose; we will join with Hua Yin to approach with major outsourcing firm in China for potential projects outside of Japan.

3. Other than Japanese contractors or major foreign contractors, we will also look into infrastructure projects domestically or within ASEAN. These projects can reduce our risk on transportation cost, which can be costly when oil prices are raised by hedge fund players.

4. To cope with potential infrastructure projects, we have to obtain new necessary certification, procure new necessary equipment, and prepare our employees with the necessary skills. We would like to increase our infrastructure project share to around 30% in the next 2-3 years.

We have been listed for 5 years and our shareholding structure has changed during this period of time. It would be fair to ask other major shareholders to present their opinion or simply join our director' team and our management team if so interested.

Finally my appreciation to all directors, management team and M.C.S employees; their continuous effort made all these achievement possible. I expect a rough year is ahead of us but like every past year we will do what we need to do and make sure we always have the best opportunity for the future of this company.

Dr.Naiyuan Chi
Executive Chairman
M.C.S. Steel Public Company Limited

Company 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

E-mail : 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

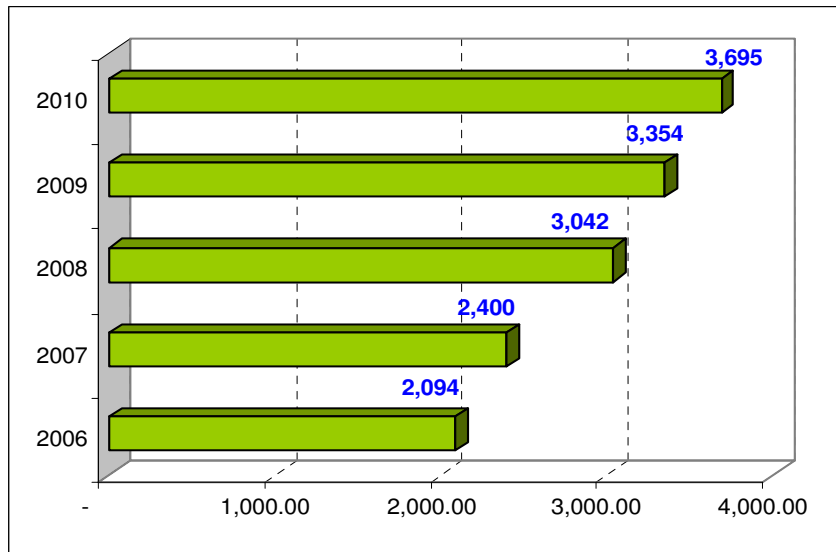
Dharmniti Law Office Co.,Ltd.
4th Floor, Nai Lert Tower, 2/4 Wireless Road,
Lumphini, Pathumwan, Bangkok 10330
Tel : +66(0)2252-1260

D) Bank

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

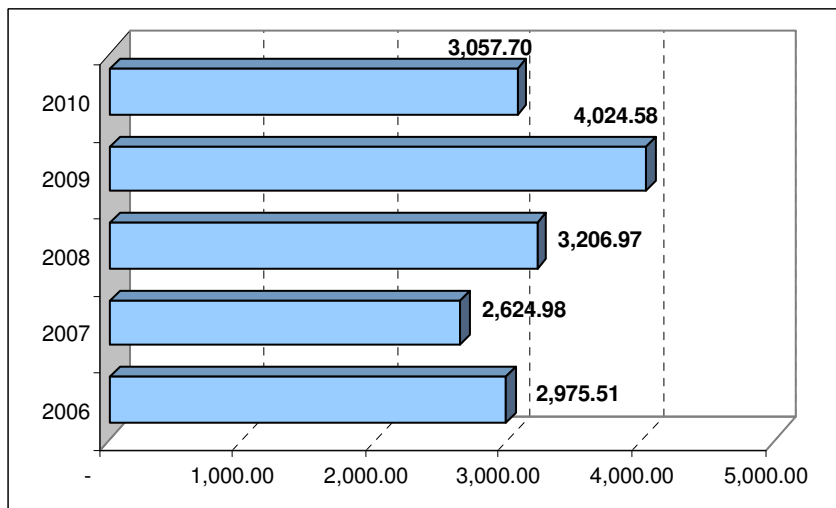
Financial Highlight (equity method)

Total Assets



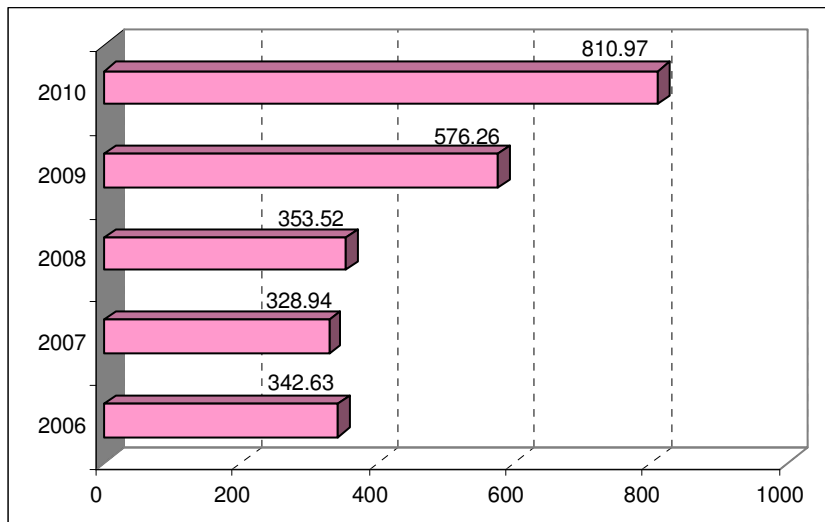
Million Baht

Total Revenues



Million Baht

Net Profit



Million Baht

Unit : Million Baht

	2006	2007	2008	2009	2010
Total Assets	2,094.34	2,399.93	3,042.45	3,354.42	3,694.70
Total Liabilities	918.65	1,061.31	1,501.02	1,525.17	1,448.45
Shareholder ' s Equity	1,175.69	1,338.62	1,541.44	1,918.37	2,246.26
Sales Revenues	2,881.18	2,545.43	3,145.68	3,945.93	2,941.30
Total Revenues	2,975.51	2,624.98	3,206.97	4,024.58	3,057.70
Net Profit (Loss)	342.63	328.94	353.52	576.26	810.97
Net Profit Margin (%)	11.51	12.52	11.01	14.32	26.52
Return on Shareholder 's Equity (%)	31.20	26.17	24.55	33.31	39.80
Return on Total Assets (%)	15.99	14.63	12.99	17.77	23.01
Earnings (Loss) Per Share (Baht)	0.69	0.66	0.71	1.15	1.62
Dividend Per Share (Baht)	0.35	0.33	0.30	0.60	0.80
Book Value Per Share (Baht)	2.35	2.68	3.08	3.84	4.49

Remark : Financial Statement By (equity method)

Management Explanation and Analysis

According to 2010 for financial statements in which the equity method is applied (1 January – 31 December 2010), a total sales was 3,057.70 Million Baht, decreased 966.88 Million Baht from previous year and a net profit was 810.97 Million Baht . In Year 2010 ,the company has total sales 43,489.58 Tons as export domestic sales for 5,121.43 Tons remaining sale is from export sales.

As of December 31, 2010 , the company total assets was 3,694.70 Million Baht ,increased from the previous 340.29 Million Baht ,While total liabilities was 1,448.45 Million Baht decreased 76.73 Million Baht and shareholder 's equity was 2,246.26 Million Baht increased 417.01 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 561.92 Million Baht increased 43.07 Million Baht (Details as in Accounting Note no.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 General Suwat Chanitthikul

Independent Director and Audit Committee

Mr. Tinagorn Seedasomboon

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"> ■ Induction since 2005 ■ 2 consecutive directorship periods
2. 2010 Meeting Attendance	<ul style="list-style-type: none"> ■ 9/9 Board Director Meetings
3. Stock Holding at December 30,2010	<ul style="list-style-type: none"> ■ 113,451,400 Shares or 22.69 % Included spouse
4. Qualification	<ul style="list-style-type: none"> ■ Doctor of Engineering Kyoto University ■ Director Accreditation Program (DAP) Class 25th Year 2004
5. Present Position	<ul style="list-style-type: none"> ■ Director and President M.C.S. Steel – Japan Co., Ltd. (Japan) ■ Chairman of Board Director Hua Yin Holding Co., Ltd. (China) ■ Director Bestmate Property Co., Ltd ■ Director Tanaka Welding Center Co., Ltd

MR.SOMPONG METASATIDSUK

- Director
- President

1. Directorship	<ul style="list-style-type: none"> ■ Induction since 2005 ■ 2 consecutive directorship periods
2. 2010 Meeting Attendance	<ul style="list-style-type: none"> ■ 9/9 Board Director Meetings
3. Stock Holding at December 30,2010	<ul style="list-style-type: none"> ■ 6,945,100 Shares or 1.39 % Included immature children
4. Qualification	<ul style="list-style-type: none"> ■ Bachelor of Business Administration Kasem Bundit University ■ Director Accreditation Program (DAP) Class 19th Year 2004 ■ Mini Master of Management Program Class 30th
5. Present Position	<ul style="list-style-type: none"> ■ Director Bestmate Property Co., Ltd ■ Director Tanaka Welding Center Co., Ltd

MR.SOMYOS CHIAMCHIRUNGKORN

- Chairman of Audit Committee
- Independent Director

1. Directorship	<ul style="list-style-type: none"> ■ Induction since 2005 ■ 2 consecutive directorship periods
2. 2010 Meeting Attendance	<ul style="list-style-type: none"> ■ 9/9 Board Director Meetings ■ 5/5 Audit Committee Meetings
3. Stock Holding at December 31,2010	<ul style="list-style-type: none"> ■ None
4. Qualification	<ul style="list-style-type: none"> ■ Master of Business Administration Thammasart University ■ Certificate of Director Certification Program (DCP) Class 7th Year 2001
5. Present Position	<ul style="list-style-type: none"> ■ Advisor Kama Joint Venture Co., Ltd ■ Independent Director Chao Praya Mahanakorn Public Co., Ltd. ■ Chairman of Audit Committee Qualitech Public Co., Ltd.

POLICE GENERAL SUWAT CHANITTHIKUL

- Audit Committee
- Independent Director

1. Directorship	<ul style="list-style-type: none"> ■ Induction since 2005 ■ 2 consecutive directorship periods
2. 2010 Meeting Attendance	<ul style="list-style-type: none"> ■ 9/9 Board Director Meetings ■ 5/5 Audit Committee Meetings
3. Stock Holding at December 30,2010	<ul style="list-style-type: none"> ■ None
4. Qualification	<ul style="list-style-type: none"> ■ Master of Development Administration (Public Administration) National Institute of Development Administration ■ Certificate of Director Accreditation Program (DAP) Class 31st Year 2005
5. Present Position	<ul style="list-style-type: none"> ■ Advisor (Sor Bor 10) of Royal Thai Police

MR.TINAGORN SEEDASOMBOON

- Audit Committee
- Independent Director

1. Directorship	<ul style="list-style-type: none"> ■ Induction since December 2010
2. 2010 Meeting Attendance	<ul style="list-style-type: none"> ■ 1/9 Board Director Meetings
3. Stock Holding at December 30,2010	<ul style="list-style-type: none"> ■ None
4. Qualification	<ul style="list-style-type: none"> ■ Master of Business Administration The University of the Thai Chamber of Commerce (UTCC) ■ Certificate of Director Accreditation Program (DAP) Class 61st Year 2007 ■ Certificate of Director Certification Program (DCP) Class 92nd Year 2007 ■ Certificate of Audit Committee Program (ACP) Class 19th Year 2007
5. Present Position	<ul style="list-style-type: none"> ■ Independent Director and Audit Committee Qualitech Public Co., Ltd. ■ President Praathid Accounting Co., Ltd. ■ Independent Director DVMVS Co., Ltd. ■ Managing partner Praathid Accounting ■ Managing partner TLN Accounting and Legal

MR.PORNCHAI PHISARNANUKUNKIT

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

1. Directorship	<ul style="list-style-type: none">■ Induction since October 2009■ 2 consecutive directorship periods
2. 2010 Meeting Attendance	<ul style="list-style-type: none">■ 8/9 Board Director Meetings
3. Stock Holding at December 30,2010	<ul style="list-style-type: none">■ 40,000 shares or 0.008%
4. Qualification	<ul style="list-style-type: none">■ Bachelor of Industrial Technology in Structures King Mongkuts Institute of Technology North Bangkok■ Certificate of Director Accreditation Program (DAP) Class 42nd Year 2005

MR.PHAIRAT VIWATBORVORNWONG

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

1. Directorship	<ul style="list-style-type: none">■ Induction since 2007■ 2 consecutive directorship periods
2. 2010 Meeting Attendance	<ul style="list-style-type: none">■ 9/9 Board Director Meetings
3. Stock Holding at December 30,2010	<ul style="list-style-type: none">■ 10,000 shares or 0.002%
4. Qualification	<ul style="list-style-type: none">■ Bachelor of Civil Engineering Rajamangala Institute of Technology Tewes■ Certificate of Director Accreditation Program (DAP) Class 70th Year 2008

MR. TSUNEO KAKUTA

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

1. Stock Holding at December 31,2010	■ None
2. Qualification	■ Bachelor of Sculpture Art Kyoto -Seika University Japan

MR.KIN LEONG LEE

- Manager : Drawing Department

1. Stock Holding at December 30,2010	■ None
2. Qualification	■ Diploma of Architecture Ungku Omar Collage , Malaysia

MRS.ATTAPORN SANGPARINYA

- Manager : Import-Export and Purchasing Department

1. Stock Holding at December 30,2010	■ 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 30,2010	■ 174,000 shares or 0.035%
2. Qualification	■ Master of Science (Biochemical Technology) King Mongkut 's University of Technology Thonburi

MR.APICHA T PUTLA

- Manager : General Affairs & Personnel Department

1. Stock Holding at December 30,2010	■ 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 30,2010	■ 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 30,2010	■ 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 30,2010	■ 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 30,2010	■ 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 30,2010	■ 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 30,2010	■ 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.



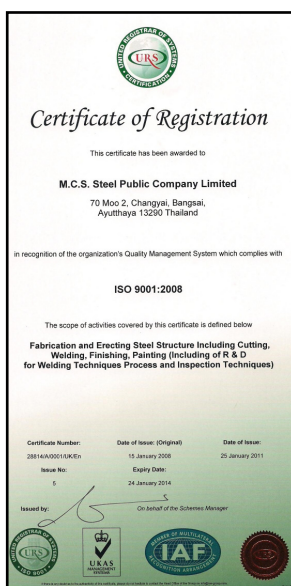
The company operates the steel business. The factory is located at Chang Yai Sub-district, Bang Sai District, Phra Nakhon Si Ayutthaya Province. The Steel business line is the business of the company. The company manufactures and sells large structured steel fabrications for large construction projects 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. MCS now consists of 11 Factories in 200 rai and 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 2010 the company sells directly to customers in Japan approx 90 percent of the total sales and 10 percent of domestic work. 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 year 2010 ,M.C.S. Steel Public Co., Ltd. Was selected to 1 of the Asia 's 200 Best Under A Billion and 1 of 9 Companies in Thailand By Forbes.



And geted the Reward for Best Performance Award (from SET AWARDS 2010)



In year 2010 ,M.C.S. Steel Public Co., Ltd. has 2 subsidiary companies 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
Tanaka Welding Center Co., Ltd.	Made to order Thailand	Shareholding and Co-Director	500,000 (Baht)	99.92
บริษัทร่วม				
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

Registered capital and paid-up capital of th Company as at 31 December 2010 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. Shareholders

List of top 10 shareholders and percentage of shares holding as December 30,2010

Name	Shares	Percentage (%)
1. Dr.Naiyuan Chi	83,451,400	16.69
- Mrs.Yoko Ki	30,000,000	6.00
- Mr.Taiki Ki *	5,000,000	1.00
- Ms.Karin Ki *	5,000,000	1.00
- Mr.Yuki Ki *	5,000,000	1.00
Total of Dr.Chi 's group	128,451,400	25.69
2. Mr.Suthipong Vatvaruth	53,700,000	10.74
- Mrs.Kaota Vatvaruth	4,062,900	0.81
- Mr.Sintu Vatvaruth	9,711,000	1.94
Total of Mr.Suthipong 's group	67,473,900	13.49
3. SOMERS (U.K.) LIMITED	40,753,500	8.15
4. Thai NVDR Co., LTD.	38,477,300	7.70
5. Mr. Surachai Rathithong	15,000,000	3.00
6. J.P. MORGAN BANK LUXEMBOURG S.A. LEND	9,988,600	2.00
7. Mr.Sunthorn Danthalermon	9,200,000	1.84
8. Mr.Hargichin Thanwanee	6,500,000	1.30
9. Mr.Somkiat Tedtoontaweede	5,944,900	1.19
10. Other Shareholders	178,210,400	35.64
Total	500,000,000	100.00

Remark : * Adult children

3. Dividend Payment Policy

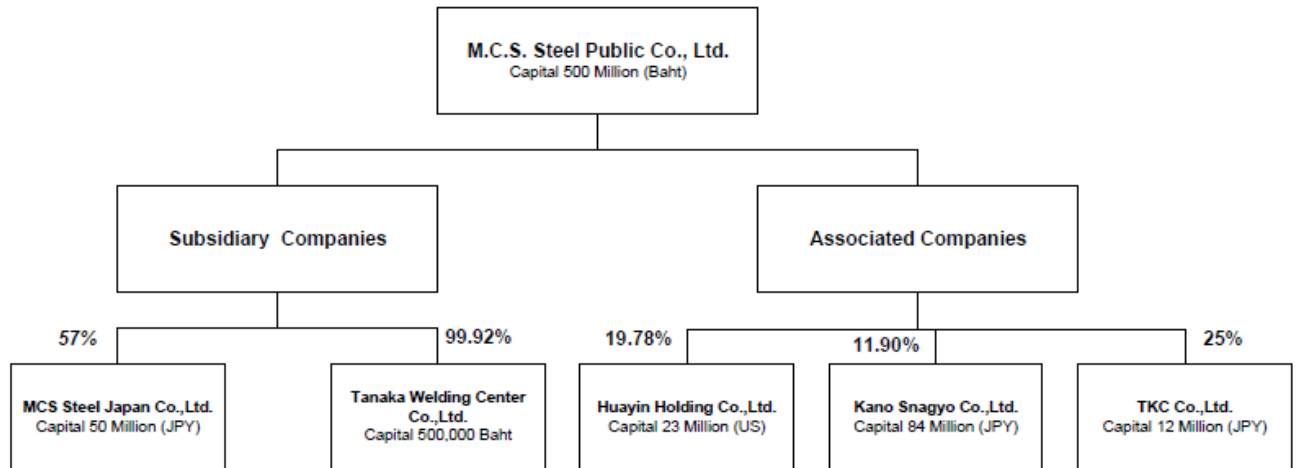
A Policy dividend rate at least 50 percent of net profit after tax and legal reserves , however , Company may make a dividend less defined above depending on financial performance, liquidity needs to be used as working capital for operations expansion and other factors involved in the management of the 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 2008-2010 results as described below.

Year	Period : Jan-Jun (Baht) Payment date	Period : Jul-Dec (Baht) Payment date	Total of Dividend : Year (Baht)
2008	0.10 Sep 12,2008	0.20 April 27,2009	0.30
2009	0.15 Sep 11,2009	0.45 May 4,2010	0.60
2010	0.30 Sep 3,2010	-	0.30



Investment Structure



Income structure of Revenue from Business

Value : Baht

Product	2008		2009		2010	
	Value	%	Value	%	Value	%
1. Income from Sales of Steel Structure						
1.1 Domestic Sales	82,695,000	2.58	-	-	123,860,567	4.05
1.2 Export Sales	3,062,983,368	95.39	3,945,932,607	98.05	2,817,436,722	92.14
2. Income from sales of scraps	49,485,046	1.54	33,177,570	0.82	38,771,028	1.27
3. Other incomes	15,851,463	0.49	6,067,009	0.15	9,155,989	0.30
4. Gain on exchange rate	-	-	39,406,216	0.98	68,478,393	2.24
Total revenues	3,211,014,877	100	4,024,583,403	100	3,057,702,699	100

Risk Factors

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 a natural hedge. Nonetheless, the fluctuation in the Thai and Japanese currency in 2010 did show us the risk of an unstable exchange rate. The current global "currency war" will put pressure on governments to take measures in relation to their respective currencies, and we anticipate that 2011 will continue the trend of volatile currency exchange movements, which will have an enormous bearing on our operations.

Risk in relation to oil prices

In the first half of 2010, crude oil prices fell in the world market, and then increased in the second half of 2010 to approximately two third of 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 8% and nearly 15% of our total cost. We anticipate that oil prices will continue to remain volatile in 2011 much depended on China's economic movement.

Risk of major shareholders having influence in setting up management policy

At the end of 2010, the Dr. Nai-yuan Chi group held near 26% (include spouse and adult children) 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. However Dr. Chi has expressed his intention to lower his holding to around 15% -20% on many occasions and like to invite new major shareholders to be directors.

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 2010 was derived. Therefore the loss of any of these customers will significantly impact on the operations of this company. However the company has announced increasing two more major Japanese contractors and plans to diversify into other markets as well.

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 SHINNITTETSU Corporation, 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 few 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. It will be a never ending subject for any fabricator, to secure material in sufficient quantity, and at reasonable cost.

Risk in relation to the economic climate and the construction industry in Japan

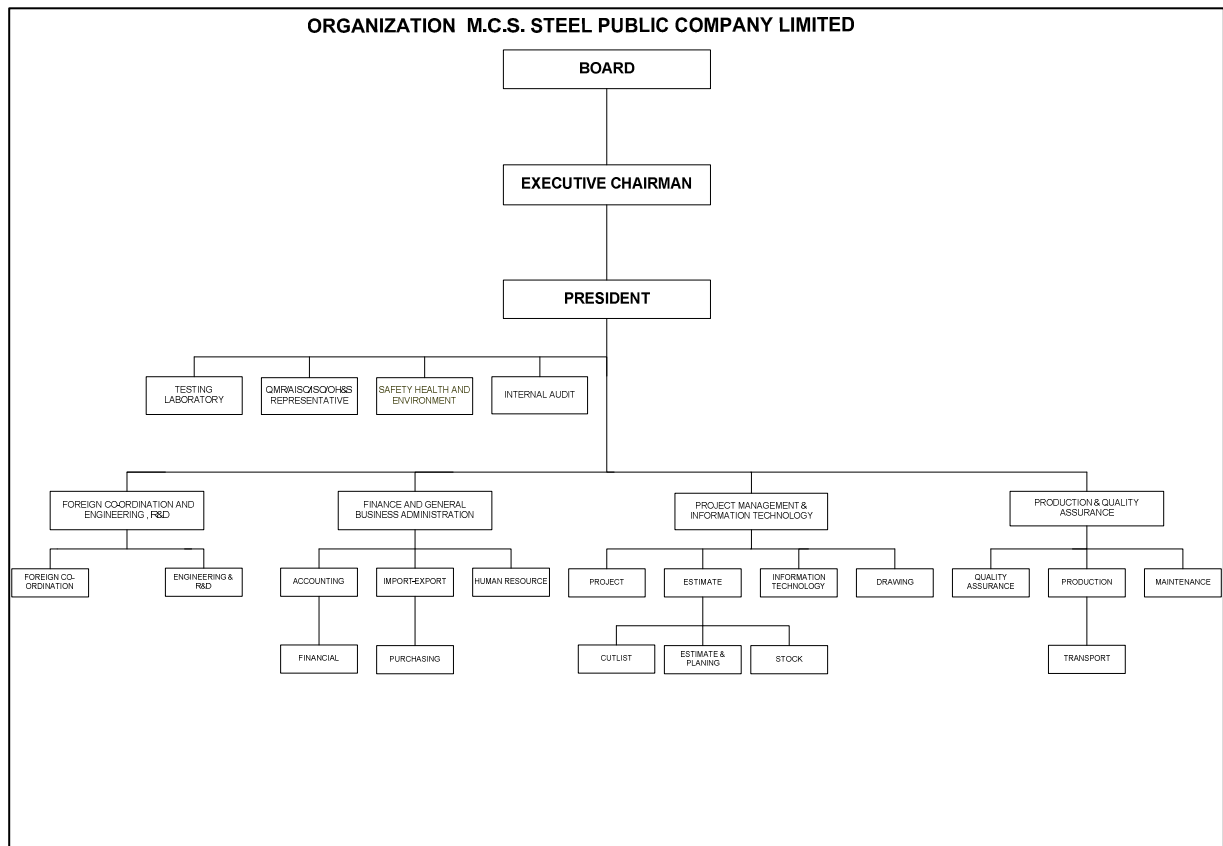
The business of the company is the supplying of large sized structural steel for high rise building, 90% of which are for big contractors in Japan. The calamitous events in the global economy have severely affected the construction industry, and the Japanese construction industry is no exception. With 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. We foresee a turn around in Japan will take another few years to come.

Risk in relation to acquiring MCS-JAPAN

This company has acquired a 56% 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 Apr 2009, and intend to open a Tokyo office in early 2011.

Organization



1. Management Structure (December 31,2010)

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

In Year 2009-2010 have the employees (Not included 14 persons of Top Managements) as followings;

Responsibilities	Total No. of Employees	
	2009	2010
Production Line and QA	460	430
Support Line	123	158
Employees in Japan	3	3
Grand Total	586	591



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 2010, the company held a general meeting of shareholders is 1 time The Annual General Meeting (Annual General Meeting or AGM) on April 22, 2010 at The Sapphire Room No.1 Hall 9 Impact Convention Center Muang Thong Thani 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 share 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 or the email address, 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.

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 adults children are taken into account, the holding will be approx 25.69% (as of December 30, 2010) 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 2010 the company paid remuneration of the company directors as follows;

- Director

In 2010 ,have one Annual General Meeting , 5 Audit Committee Meetings and 9 Board Director Meetings and one of The Annual General Meeting

Name	Position	Remuneration (Baht)	
		2009	2010
DR.NAIYUAN CHI	Chairman of Board Director	662,200	1,185,800
MR.SOMPONG METASATIDSUK	Director	219,450	602,000
MR.PORNCHAI PHISARNANUKUNKIT	Director	65,450	504,000
MR.PHAIRAT VIWATBORVORNWONG	Director	215,600	518,000
MR.SOMYOS CHIAMCHIRUNGKORN	Independent Director and Chairman of Audit Committee	130,900	819,280
POLICE GENERAL SUWAT CHANITTHIKUL	Independent Director and Audit Committee	523,600	668,360
MRS.VIBHADA CHARTIKULLAVADHANA	Independent Director and Audit Committee	446,600	528,220
MR.TINAKORN SEEDASOMBOON	Independent Director and Audit Committee	-	53,900

Remark : 1. K.Vibhada resigned from Director on October 15,2010

2. K.Tinakorn have appointed to be the director on December 4,2010

Remuneration of the company director from Subsidiary company

Name	2009	2010
	Remuneration (Yen)	
DR.NAIYUAN CHI	1,800,000	1,800,000

● Top Managements

Remuneration	Year			
	2009		2010	
	Number	Remuneration (Baht)	Number	Remuneration (Baht)
Salary and bonus	14	20,635,750.46	14	24,239,609.98
Provident Fund and Others	14	3,387,795.00	14	4,113,299.98

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 2010 the board of director held 9 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 2010 have 5 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) In Year 2010 the Company hired Ernst & Young (Thailand) Co., Ltd. whom is an internal auditor from the outside to assess the overall risk of the company and monitoring production and quality System This is the system that the Audit Committee that are important to the company's business. The Company have a plan to set the Internal Audit in the organization company but in year 2010 ,the company have not yet to set it.

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, 2010 and 2009 are as follows :-

		In Million (Foreign Currencies)		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	2010	2009	2010	2009
<u>Japanese Yen</u>					
M.C.S. STEEL - JAPAN					
COMPANY LIMITED					
Other income	20% from uncollectible sales	0.56	2.51	0.19	0.89
Purchases - raw materials	At cost plus commission 5%	4.06	6.46	1.47	2.41
Administrative expenses	Agree price based on Market price	531.29	581.77	193.26	213.39
<u>US Dollar</u>					
FAR EAST (XIAMEN) STEEL INDUSTRY					
COMPANY LIMITED					
Purchases - Supplies	Market price	0.07	-	2.21	-
Administrative expenses	Agree price	0.08	-	2.70	-

The significant outstanding balances as at December 31, 2010 and 2009 are as follows :-

		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	
	Type of Relation	2010	2009	2010	2009
<u>Japanese Yen</u>					
M.C.S. STEEL - JAPAN					
COMPANY LIMITED					
Other receivable	Subsidiary company	299,520.00	2,505,578.00	109,523.08	896,874.15
Advance		109,711.00	-	40,117.44	-
Accrued expense		224,431,053.62	213,783,002.16	83,986,140.01	78,160,989.64
<u>US Dollar</u>					
FAR EAST (XIAMEN) STEEL INDUSTRY					
COMPANY LIMITED					
Deposit for purchase of inventories	Related company	700,806.01	-	20,959,846.31	-

Report of the Audit Committee

To All Shareholders

The Audit 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.

In the year 2010, 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 2010 and the Financial Statement has been prepared in conformance with the generally accepted the notified of SEC and SET
2. 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
3. Review the reports of evaluate the risks of the company, which was assessed in 2010 by external expert firm to provide appropriate changes timely and in economic conditions of globalization.
4. Review and suggest the appropriateness of internal controls system to improve internal controls related to business performance appropriate to the changing pace of economic conditions.
5. The governance in internal control, The Audit Committee has reviewed the operation and report from internal audit Dept. and internal auditor from the outside to be in independently.
6. 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 2011 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 1,500,000.- maximum,

During 2010 the Audit Committee has been meeting with the Director and 5 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

February 16, 2011

Report of Auditor

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

I have audited the balance sheets of M.C.S. STEEL PUBLIC COMPANY LIMITED as at December 31, 2010 and 2009, the related statements of income, changes in shareholders' equity and cash flows for the years 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 audits.

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, 2010 and 2009, the results of its operations, its changes in shareholders' equity and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Next..

Report of Auditor (Cont.)

Without qualifying my opinion on the financial statement , I draw attention to Note 9, at the board of directors meeting held on November 27, 2010, the board of directors resolved to change the accounting policy concerning the method of measurement subsequent to the initial recognition of land, buildings, machinery and crane from the revaluation method based on the value appraised by an independent appraiser since August 2004 (acceptable method by the accounting principle) to the cost method (standard method by the accounting principle) since December 31, 2010. Because the management believes that the appraisal values by the market approach and depreciated replacement cost for building, machinery and crane of an independent appraiser are incapable of reflecting the appropriate fair values, and since the values appraised are significantly higher than the net asset value of the machinery and crane group, which had been modified with adds-on specific to the industrial, so it is difficult to assess whether the appraisal value by such method is appropriate. At this time the Company has secure financial position so it is unnecessary to use the appraisal value. The Company has given retrospective effect on the financial statements ending December 31, 2009 as presented herewith for comparative purpose. The effects cause total assets and shareholders' equity as at January 1, 2009 and 2010 to decrease in the same amount of Baht 99,297,141.03 and Baht 89,122,026.78, respectively.



(Miss Wannisa Ngambuathong)

Certified Public Accountant

Registration No. 6838

Dharmniti Auditing Company Limited
Bangkok, Thailand
February 12, 2011
2011/105/0196

M.C.S. STEEL PUBLIC COMPANY LIMITED

BALANCE SHEETS

AS AT DECEMBER 31, 2010 AND 2009

ASSETS

		In Baht			
		Financial statements in which the		Separate financial statements	
		equity method is applied			
Note		As at December	As at December	As at December	As at December
		31, 2010	31, 2009	31, 2010	31, 2009
			(Restated)		(Restated)
Current assets					
Cash and cash equivalents	4	1,376,326,206.58	1,800,790,995.95	1,376,326,206.58	1,800,790,995.95
Accounts receivable and retention receivable	5	137,083,308.38	80,809,464.63	137,083,308.38	80,809,464.63
Inventories, net	6	1,279,510,507.32	643,969,641.43	1,279,510,507.32	643,969,641.43
Receivable - The Revenue Department		13,980,824.52	6,925,482.97	13,980,824.52	6,925,482.97
Deposit for purchase of inventories	3	21,264,431.42	-	21,264,431.42	-
Other current assets	3	15,463,467.71	8,939,322.96	15,463,467.71	8,939,322.96
Total current assets		2,843,628,745.93	2,541,434,907.94	2,843,628,745.93	2,541,434,907.94
Non-current assets					
Investment in associates	7	268,899,368.48	276,674,185.03	272,042,085.00	272,042,085.00
Investment in subsidiary	7	13,644,501.07	10,723,367.99	11,068,432.00	10,568,832.00
Other long-term investments					
- General investment - at cost, net	8	1,618,336.64	3,237,550.00	1,618,336.64	3,237,550.00
Property, plant and equipment, net	9	561,917,555.70	518,845,638.90	561,917,555.70	518,845,638.90
Other non-current assets	10	4,994,762.58	3,502,794.09	4,994,762.58	3,502,794.09
Total non-current assets		851,074,524.47	812,983,536.01	851,641,171.92	808,196,899.99
TOTAL ASSETS		3,694,703,270.40	3,354,418,443.95	3,695,269,917.85	3,349,631,807.93

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, 2010 AND 2009

LIABILITIES AND SHAREHOLDERS' EQUITY

In Baht					
	Note	Financial statements in which the			
		equity method is applied		Separate financial statements	
		As at December	As at December	As at December	As at December
		31, 2010	31, 2009	31, 2010	31, 2009
			(Restated)		(Restated)
Current liabilities					
Accounts payable and note payable	12	1,052,438,837.11	1,084,811,878.73	1,052,438,837.11	1,084,811,878.73
Accrued income tax	25	127,644,280.73	136,321,994.32	127,644,280.73	136,321,994.32
Accrued expense		72,004,256.41	49,306,838.85	72,004,256.41	49,306,838.85
Accrued expense - related company	3	83,986,140.01	78,160,989.64	83,986,140.01	78,160,989.64
Current portion of provision for warranty					
under contract	13	58,608,883.64	109,183,721.36	58,608,883.64	109,183,721.36
Other current liabilities		7,215,033.83	5,102,975.40	7,215,033.83	5,102,975.40
Total current liabilities		1,401,897,431.73	1,462,888,398.30	1,401,897,431.73	1,462,888,398.30
Non-current liabilities					
Provision long - term for warranty under contract	13	46,548,853.90	62,283,009.16	46,548,853.90	62,283,009.16
Total non-current liabilities		46,548,853.90	62,283,009.16	46,548,853.90	62,283,009.16
TOTAL LIABILITIES		1,448,446,285.63	1,525,171,407.46	1,448,446,285.63	1,525,171,407.46

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, 2010 AND 2009

LIABILITIES AND SHAREHOLDERS' EQUITY (CONT.)

		In Baht			
		Financial statements in which the equity method is applied		Separate financial statements	
	Note	As at December 31, 2010	As at December 31, 2009 (Restated)	As at December 31, 2010	As at December 31, 2009 (Restated)
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
Currency conversion differences	7	(7,933,639.38)	11,029,252.37	-	-
Retained earnings					
Appropriated - legal reserve	15	50,000,000.00	50,000,000.00	50,000,000.00	50,000,000.00
Unappropriated		1,564,190,624.15	1,128,217,784.12	1,556,823,632.22	1,134,460,400.47
TOTAL SHAREHOLDERS' EQUITY		2,246,256,984.77	1,829,247,036.49	2,246,823,632.22	1,824,460,400.47
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3,694,703,270.40	3,354,418,443.95	3,695,269,917.85	3,349,631,807.93

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, 2010 AND 2009

		In Baht			
		Financial statements in which the equity method is applied		Separate financial statements	
	Note	2010	2009	2010	2009
Revenues	19				
Sales		2,941,297,289.37	3,945,932,607.48	2,941,297,289.37	3,945,932,607.48
Gain on exchange rate		68,478,392.98	39,406,216.21	68,478,392.98	39,406,216.21
Other income	3	47,927,016.87	39,244,578.95	55,947,537.12	39,244,578.95
Total revenues		<u>3,057,702,699.22</u>	<u>4,024,583,402.64</u>	<u>3,065,723,219.47</u>	<u>4,024,583,402.64</u>
Expenses	19				
Cost of sales	3, 21	1,566,135,720.53	2,752,338,710.67	1,566,135,720.53	2,752,338,710.67
Selling expenses	21	250,704,924.68	277,606,367.47	250,704,924.68	277,606,367.47
Administrative expenses		195,943,226.85	164,623,574.39	195,943,226.85	164,623,574.39
Management benefit expenses	22	24,610,353.03	16,593,864.64	24,610,353.03	16,593,864.64
Total expenses		<u>2,037,394,225.09</u>	<u>3,211,162,517.17</u>	<u>2,037,394,225.09</u>	<u>3,211,162,517.17</u>
Sharing in profits (losses) from investments					
in associates and subsidiary	7	21,630,128.53	(10,544,340.23)	-	-
Profit before finance costs and income tax		1,041,938,602.66	802,876,545.24	1,028,328,994.38	813,420,885.47
Finance costs		8,297.38	40,151.09	8,297.38	40,151.09
Profit before income tax		1,041,930,305.28	802,836,394.15	1,028,320,697.00	813,380,734.38
Income tax	25	230,957,465.25	226,575,984.30	230,957,465.25	226,575,984.30
Net profit		<u>810,972,840.03</u>	<u>576,260,409.85</u>	<u>797,363,231.75</u>	<u>586,804,750.08</u>
Earnings per share	20				
Net profit		<u>1.62</u>	<u>1.15</u>	<u>1.59</u>	<u>1.17</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, 2010 AND 2009

		In Baht					
		Financial statements in which the equity method is applied					
	Note	Share capital	Premium on	Revaluation	Currency	Retained earnings	
		issued and paid - up	ordinary shares	surplus	conversion differences	Appropriated - Legal reserve	Unappropriated
Beginning balance, as at January 1, 2009, as previous reported		500,000,000.00	140,000,000.00	99,297,141.03	25,180,937.32	50,000,000.00	726,957,374.27
Cumulative effect on the change in accounting policy	9	-	-	(99,297,141.03)	-	-	-
Balance as at January 1, 2009, as restated		500,000,000.00	140,000,000.00	-	25,180,937.32	50,000,000.00	726,957,374.27
Currency conversion differences	7	-	-	-	(14,151,684.95)	-	-
Net income (expense) recognised							
directly in equity		-	-	-	(14,151,684.95)	-	-
Net profit for the year 2009		-	-	-	-	-	576,260,409.85
Total recognised income (expense)		-	-	-	(14,151,684.95)	-	576,260,409.85
Dividend paid	16	-	-	-	-	-	(175,000,000.00)
Ending balance, as at December 31, 2009, as restated		500,000,000.00	140,000,000.00	-	11,029,252.37	50,000,000.00	1,128,217,784.12
Currency conversion differences	7	-	-	-	(18,962,891.75)	-	-
Net income (expense) recognised							
directly in equity		-	-	-	(18,962,891.75)	-	-
Net profit for the year 2010		-	-	-	-	-	810,972,840.03
Total recognised income (expense)		-	-	-	(18,962,891.75)	-	810,972,840.03
Dividend paid	16	-	-	-	-	-	(375,000,000.00)
Ending balance, as at December 31, 2010		500,000,000.00	140,000,000.00	-	(7,933,639.38)	50,000,000.00	1,564,190,624.15

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, 2010 AND 2009

		In Baht					
		Separate financial statements					
		Share capital	Premium on	Revaluation	Retained earnings		Total
		issued and	ordinary shares	surplus	Appropriated -	Unappropriated	
	Note	paid - up			Legal reserve		
Beginning balance, as at January 1, 2009, as previous reported		500,000,000.00	140,000,000.00	99,297,141.03	50,000,000.00	722,655,650.39	1,511,952,791.42
Cumulative effect on the change in accounting policy	9	-	-	(99,297,141.03)	-	-	(99,297,141.03)
Balance as at January 1, 2009, as restated		500,000,000.00	140,000,000.00	-	50,000,000.00	722,655,650.39	1,412,655,650.39
Net profit for the year 2009		-	-	-	-	586,804,750.08	586,804,750.08
Total recognised income (expense)		-	-	-	-	586,804,750.08	586,804,750.08
Dividend paid	16	-	-	-	-	(175,000,000.00)	(175,000,000.00)
Ending balance, as at December 31, 2009, as restated		500,000,000.00	140,000,000.00	-	50,000,000.00	1,134,460,400.47	1,824,460,400.47
Net profit for the year 2010		-	-	-	-	797,363,231.75	797,363,231.75
Total recognised income (expense)		-	-	-	-	797,363,231.75	797,363,231.75
Dividend paid	16	-	-	-	-	(375,000,000.00)	(375,000,000.00)
Ending balance, as at December 31, 2010		500,000,000.00	140,000,000.00	-	50,000,000.00	1,556,823,632.22	2,246,823,632.22

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, 2010 AND 2009

	In Baht			
	Financial statements in which the equity method is applied		Separate financial statements	
	2010	2009	2010	2009
Cash flows from operating activities :				
Net profit	810,972,840.03	576,260,409.85	797,363,231.75	586,804,750.08
Reconciliations of net profit (loss) to net cash provided by (used in) operating activities :				
Depreciation and amortization	65,950,768.10	64,609,230.91	65,950,768.10	64,609,230.91
Interest income	(3,461,838.79)	(2,402,848.57)	(3,461,838.79)	(2,402,848.57)
Dividend income	-	-	(8,020,520.25)	-
Interest expenses	8,297.38	40,151.09	8,297.38	40,151.09
Income tax	230,957,465.25	226,575,984.30	230,957,465.25	226,575,984.30
(Gain) loss from sales of fixed assets	(291,763.13)	(164,247.25)	(291,763.13)	(164,247.25)
Unrealized (gain) loss on exchange rate	7,180,807.78	(3,671,198.71)	7,180,807.78	(3,671,198.71)
Bad debt from retention receivable	321,975.17	706,561.20	321,975.17	706,561.20
Allowance for declining in value of inventories (reversal)	(25,717,275.82)	36,569,237.91	(25,717,275.82)	36,569,237.91
Allowance for doubtful accounts	750,206.28	-	750,206.28	-
Allowance for declining in value of other long - term investments	1,619,213.36	-	1,619,213.36	-
Provision for import duty (reversal)	(15,896,268.75)	15,896,268.75	(15,896,268.75)	15,896,268.75
Provision for warranty under contract (reversal)	(26,543,381.18)	71,026,786.93	(26,543,381.18)	71,026,786.93
Sharing in loss (profit) from investment in associates and subsidiary	(21,630,128.53)	10,544,340.23	-	-
Net profit (loss) from operating activities before changes in operating assets and liabilities	1,024,220,917.15	995,990,676.64	1,024,220,917.15	995,990,676.64
(Increase) decrease in operating assets				
Accounts receivable and retention receivable	(54,089,900.51)	572,871,594.04	(54,089,900.51)	572,871,594.04
Inventories	(613,467,324.55)	333,407,276.19	(613,467,324.55)	333,407,276.19
Receivable - the Revenue Department	(7,055,341.55)	(4,874,633.14)	(7,055,341.55)	(4,874,633.14)
Deposit for purchase of inventories	(22,666,095.11)	-	(22,666,095.11)	-
Other current assets	(6,053,976.02)	(4,657,756.43)	(6,053,976.02)	(4,657,756.43)
Other non-current assets	(471,688.50)	(1,250,999.18)	(471,688.50)	(1,250,999.18)

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, 2010 AND 2009

	In Baht			
	Financial statements in which the equity method is applied		Separate financial statements	
	2010	2009	2010	2009
Increase (decrease) in operating liabilities				
Accounts payable and note payable	(49,233,160.13)	(111,238,162.83)	(49,233,160.13)	(111,238,162.83)
Accrued expense	48,540,981.81	(1,263,818.53)	48,540,981.81	(1,263,818.53)
Accrued expense - related company	5,787,125.33	12,036,681.67	5,787,125.33	12,036,681.67
Payment of provision for warranty under contract	(39,765,611.80)	(30,551,126.06)	(39,765,611.80)	(30,551,126.06)
Other current liabilities	2,112,058.43	(626,956.08)	2,112,058.43	(626,956.08)
Cash received (paid) from operating	287,857,984.55	1,759,842,776.29	287,857,984.55	1,759,842,776.29
Cash payment for income tax	(239,635,178.84)	(150,604,624.51)	(239,635,178.84)	(150,604,624.51)
Net cash provided by (used in) operating activities	48,222,805.71	1,609,238,151.78	48,222,805.71	1,609,238,151.78
Cash flows from investing activities :				
Interest receive	2,255,863.38	2,696,001.44	2,255,863.38	2,696,001.44
Dividend receive	8,020,520.25	-	8,020,520.25	-
Cash payment for investment in subsidiary	(499,600.00)	(8,479,530.00)	(499,600.00)	(8,479,530.00)
Proceeds from disposal of fixed assets	339,082.87	2,213,944.01	339,082.87	2,213,944.01
Increase in fixed assets and intangible assets	(110,090,284.63)	(106,515,047.46)	(110,090,284.63)	(106,515,047.46)
(Increase) decrease in restricted deposit	-	145,389,745.83	-	145,389,745.83
Net cash provided by (used in) investing activities	(99,974,418.13)	35,305,113.82	(99,974,418.13)	35,305,113.82
Cash flows from financing activities :				
Interest paid	(8,297.38)	(40,151.09)	(8,297.38)	(40,151.09)
Dividend paid	(375,000,000.00)	(175,000,000.00)	(375,000,000.00)	(175,000,000.00)
Net cash provided by (used in) financing activities	(375,008,297.38)	(175,040,151.09)	(375,008,297.38)	(175,040,151.09)
Increase (decrease) in cash and cash equivalents, net	(426,759,909.80)	1,469,503,114.51	(426,759,909.80)	1,469,503,114.51
Unrealized gain (loss) on exchange rate from cash at bank in foreign currency	2,295,120.43	(6,423,396.89)	2,295,120.43	(6,423,396.89)
Cash and cash equivalents, at beginning of year	1,800,790,995.95	337,711,278.33	1,800,790,995.95	337,711,278.33
Cash and cash equivalents, at ending of year	1,376,326,206.58	1,800,790,995.95	1,376,326,206.58	1,800,790,995.95

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

M.C.S. STEEL PUBLIC COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

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.

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

During the year 2010, the Federation of Accounting Professions (FAP) has issued Notifications to mandate the use of the revised 2009, new issued of accounting standards and financial reporting standards and the interpretation, totalling 32 standards, as follows.

Framework for the Preparation and Presentation of Financial Statements (revised 2009)

TAS 1 (revised 2009) Presentation of Financial Statements

TAS 2 (revised 2009) Inventories

TAS 7 (revised 2009) Statement of Cash Flows
 TAS 8 (revised 2009) Accounting Policies, Changes in Accounting Estimates and Errors
 TAS 10 (revised 2009) Events after the Reporting Period
 TAS 11 (revised 2009) Construction Contracts
 TAS 12 Income Taxes
 TAS 16 (revised 2009) Property, Plant and Equipment
 TAS 17 (revised 2009) Leases
 TAS 18 (revised 2009) Revenue
 TAS 19 Employee Benefits
 TAS 20 (revised 2009) Accounting for Government Grants and Disclosure of Government Assistance
 TAS 21 (revised 2009) The Effects of Changes in Foreign Exchange Rates
 TAS 23 (revised 2009) Borrowing Costs
 TAS 24 (revised 2009) Related Party Disclosures
 TAS 26 Accounting and Reporting by Retirement Benefit Plans
 TAS 27 (revised 2009) Consolidated and Separate Financial Statements
 TAS 28 (revised 2009) Investments in Associates
 TAS 29 Financial Reporting in Hyperinflationary Economies
 TAS 31 (revised 2009) Interests in Joint Ventures
 TAS 33 (revised 2009) Earnings per Share
 TAS 34 (revised 2009) Interim Financial Reporting
 TAS 36 (revised 2009) Impairment of Assets
 TAS 37 (revised 2009) Provisions, Contingent Liabilities and Contingent Assets
 TAS 38 (revised 2009) Intangible Assets
 TAS 40 (revised 2009) Investment Property
 TFRS 2 Share-based Payment
 TFRS 3 (revised 2009) Business Combinations
 TFRS 5 (revised 2009) Non-current Assets Held for sale and Discontinued Operations
 TFRS 6 Exploration for and Evaluation of Mineral Resources
 TFRIC 15 Agreements for the Construction of Real Estate

These accounting standards and financial reporting standards are effective for the fiscal year beginning on or after January 1, 2011, except for TAS 12, TAS 20 and TAS 21, they are effective for the fiscal year beginning on or after January 1, 2013.

The management of the Company has assessed the effect of these accounting standards and financial reporting standards and believes that they will not have any significant impact on the financial statements for the year in which they are initially applied, except for TAS 12 Income Taxes, TAS 16 (revised 2009) Property, Plant and Equipment and TAS 19 Employee Benefits. The management of the Company is in the process of reviewing the effect of such 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 : FI-FO method
Steel plate, knot and supplies	FI-FO method

The cost of work in process are actual costs which comprises raw materials, direct labour, direct costs and related production overheads, the latter being allocated based on weight of each production project.

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 and allowance for impairment.

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

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
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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 past 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, 2010 and 2009 are as follows :-

		In Million (Foreign Currencies)		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	2010	2009	2010	2009
<u>Japanese Yen</u>					
M.C.S. STEEL - JAPAN					
COMPANY LIMITED					
Other income	20% from uncollectible sales	0.56	2.51	0.19	0.89
Purchases - raw materials	At cost plus commission 5%	4.06	6.46	1.47	2.41
Administrative expenses	Agree price based on Market price	531.29	581.77	193.26	213.39
<u>US Dollar</u>					
FAR EAST (XIAMEN) STEEL INDUSTRY					
COMPANY LIMITED					
Purchases - Supplies	Market price	0.07	-	2.21	-
Administrative expenses	Agree price	0.08	-	2.70	-

The significant outstanding balances as at December 31, 2010 and 2009 are as follows :-

		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	
	Type of Relation	2010	2009	2010	2009
<u>Japanese Yen</u>					
M.C.S. STEEL - JAPAN					
COMPANY LIMITED					
	Subsidiary company				
Other receivable		299,520.00	2,505,578.00	109,523.08	896,874.15
Advance		109,711.00	-	40,117.44	-
Accrued expense		224,431,053.62	213,783,002.16	83,986,140.01	78,160,989.64
<u>US Dollar</u>					
FAR EAST (XIAMEN) STEEL INDUSTRY					
COMPANY LIMITED					
	Related company				
Deposit for purchase of inventories		700,806.01	-	20,959,846.31	-

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	
	2010	2009	2010	2009
Cash on hand - Baht	350,000.00	350,000.00	350,000.00	350,000.00
- Japanese Yen	678,650.00	678,650.00	248,156.52	242,923.45
Cash at bank - savings account				
- Baht	332,969,600.51	633,303,143.74	332,969,600.51	633,303,143.74
- U.S.Dollars	247,231.77	5,048.45	7,394,257.22	167,217.79
- Japanese Yen	1,762,323,281.65	2,728,931,175.41	644,414,655.81	976,823,643.16
Current investment - fixed deposit - 1 month				
- Baht	70,853,052.50	70,539,360.59	70,853,052.50	70,539,360.59
Current investment - fixed deposit - 3 month				
- Baht	120,096,484.02	119,364,707.22	120,096,484.02	119,364,707.22
Current investment - bill of exchange - 3 month				
- Baht	200,000,000.00	-	200,000,000.00	-
Total			<u>1,376,326,206.58</u>	<u>1,800,790,995.95</u>

Savings accounts Baht bear interest at the floating rates which are set by bank. (As at December 31, 2010 and 2009 : rate 0.25% per annum).

Savings accounts 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, 2010 and 2009 : rates 0.75% and 0.375% per annum, respectively).

Current investment - fixed deposit - 3 month bears interest at the floating rates which are set by bank. (As at December 31, 2010 and 2009 : rates 0.50% - 1% and 0.50% - 0.75% per annum, respectively).

Current investment - bill of exchange - 3 month bears interest at the floating rates which are set by bank (As at December 31, 2010 : rates 1.65% 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	
	2010	2009	2010	2009
Accounts receivable				
Local - Baht	14,173,035.86	-	14,173,035.86	-
Retention receivable				
Local - Baht	211,844.66	-	211,844.66	-
Foreign - Japanese Yen	335,551,487.00	225,755,661.00	122,698,427.86	80,809,464.63
Total			<u>137,083,308.38</u>	<u>80,809,464.63</u>
Undue receivable			<u>137,083,308.38</u>	<u>80,809,464.63</u>

6. INVENTORIES, NET

This account consisted of :

	In Baht	
	Financial statements in which the equity method is applied/ Separate financial statements	
	2010	2009
Work in process	670,042,970.65	310,597,351.92
Raw materials	331,263,343.88	330,599,332.23
Supplies	24,555,865.23	22,332,848.93
Supplies - knot	3,104,219.26	2,654,651.43
Materials in transit	261,396,070.39	14,354,694.83
Total	1,290,362,469.41	680,538,879.34
<u>Less allowance for declining in value of inventories</u>		
- raw materials and knot	(10,851,962.09)	(36,569,237.91)
Net	1,279,510,507.32	643,969,641.43

Allowance for declining in value of raw materials and knot were changed during the years as follow :

	In Baht	
	Financial statements in which the equity method is applied/ Separate financial statements	
	2010	2009
Balance, beginning of year	36,569,237.91	-
Increase in allowance for declining in value of inventories	7,162,379.11	36,569,237.91
Reversal of allowance for declining in value of inventories	(32,879,654.93)	-
Balance, ending of year	10,851,962.09	36,569,237.91

In the year 2010, the Company reversed the allowance for declining in value of inventories amount of Baht 32,879,654.93 because some project is necessary for withdraw slow-moving raw material for use in manufacturing.

As at December 31, 2010 and 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 11.

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			
		Paid up shares		Percentage of ownership		Equity Method		At Cost			
Type of business	Type of relation	As at December 31, 2010	As at December 31, 2009	As at December 31, 2010	As at December 31, 2009	As at December 31, 2010	As at December 31, 2009	As at December 31, 2010	As at December 31, 2009	Dividend (In Thousand Baht)	
<u>Associated company</u>											
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	-
<u>Less</u> Allowance for impairment of investment						(1,095)	(1,095)	(1,095)	(1,095)	-	
Net						-	-	-	-	-	
HUA YIN HOLDING CO., LTD. (CHINA)	Made to order	Shareholding and Co - director	USD 23 million	USD 23 million	19.78	19.78	268,899	276,674	272,042	272,042	7,608
Total						268,899	276,674	272,042	272,042	7,608	
<u>Subsidiary company</u>											
M.C.S. STEEL - JAPAN COMPANY LIMITED	Made to order	Shareholding and Co - director	JPY 50 million	JPY 50 million	57	57	13,145	10,723	10,569	10,569	412
TANAKA WELDING CENTER CO.,LTD.	Made to order	Shareholding and Co - director	Baht 0.50 million	-	99.92	-	499	-	499	-	-
Total						13,644	10,723	11,068	10,569	412	

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	
	2010	2009	2010	2009
Investment in associates				
Balance, beginning of year	276,674	303,614	272,042	274,131
Sharing in profits (losses) from investments in associates	18,619	(10,545)	-	-
Acquisitions	-	8,480	-	8,480
Dividend income from associates	(7,608)	-	-	-
Currency conversion differences	(18,786)	(14,152)	-	-
Reclassification to investments in subsidiary	-	(10,723)	-	(10,569)
Balance, ending of year	268,899	276,674	272,042	272,042

	In Thousand Baht			
	Financial statements in which the equity method is applied		Separate financial statements	
	2010	2009	2010	2009
<u>Investment in subsidiary</u>				
Balance, beginning of year	10,723	-	10,569	-
Sharing in profits from investments in subsidiary	3,011	-	-	-
Acquisitions	499	-	499	-
Dividend income from subsidiary	(412)	-	-	-
Currency conversion differences	(177)	-	-	-
Reclassification from investments in associates	-	10,723	-	10,569
Balance, ending of year	<u>13,644</u>	<u>10,723</u>	<u>11,068</u>	<u>10,569</u>

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

M.C.S. STEEL - JAPAN COMPANY LIMITED

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, 2010 and 2009, the Company did not present the consolidated financial statements and based on audit the book value of financial statement's foreign subsidiary not material. As at December 31, 2010 and 2009, the subsidiary's net assets amounted to Baht 23.31 million and Baht 21.26 million (0.63% and 0.63% of the Company's total assets, respectively) and net profit for the year ended December 31, 2010 of Baht 2.43 million (0.30% of the Company's net profit for the year ended) and net profit for the nine-month period ended December 31, 2009, (Since March 23, 2009, the acquisition date, to December 31, 2009) of Baht 2.85 million (0.49% of the Company's net profit for the year ended December 31, 2009).

TANAKA WELDING CENTER COMPANY LIMITED

As a result of M.C.S. Steel Public Company Limited requires S Grade Certificate of Japan therefore the Company must process to establish the company for comply with the regulation of that institution. On June 11, 2010, the board meeting of M.C.S. Steel Public Company Limited approved the resolution as follow:

Approved the principle to register new company "Tanaka Welding Center Co.,Ltd.". That Company has the registered share capital amount of Baht 500,000 which divided into common stock of 5,000 shares at Baht 100 per share. On July 2, 2010, that Company has registered to be a limited company with the Department of Business Development already and called for totally pay capital and approved to purchase the ordinary shares in the amount of 4,996 shares at Baht 100 per share, the total amount is Baht 499,600.00 or 99.92% of the authorized share capital, which result that the such company is the subsidiary of the Company.

As at December 31, 2010, the subsidiary is none operate.

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 December 31, 2010, which made by Company's management and HUA YIN HOLDING CO., LTD. was calculated from the latest financial statements as at December 31, 2010, which made by Company's management.

As at December 31, 2010 and 2009, 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	
	2010	2009	2010	2009
<u>Investment in associates</u>				
HUA YIN HOLDING CO., LTD. (CHINA)	268,899	276,674	7.28	8.25
<u>Investment in subsidiary</u>				
M.C.S. STEEL - JAPAN COMPANY LIMITED	13,145	10,723	0.36	0.32
TANAKA WELDING CENTER CO., LTD.	499	-	0.01	-
	13,644	10,723	0.37	0.32

Sharing in profits (losses) from investment in associates and subsidiary for the years ended December 31, 2010 and 2009 are as follows:

	In Thousand Baht		Percentage of net profit of financial statements in which the equity method is applied	
	2010	2009	2010	2009
<u>Sharing in profit (loss) from investment in associates</u>				
HUA YIN HOLDING CO., LTD. (CHINA)	18,619	(10,563)	2.30	(1.84)
<u>Sharing in profit (loss) from investment in subsidiary</u>				
M.C.S. STEEL - JAPAN COMPANY LIMITED	3,011	19	0.37	0.01
	21,630	(10,544)	2.67	(1.83)

The financial statements of overseas associates and subsidiary are translated into Thai Baht at the closing exchange rate as to assets and liabilities, and at monthly average exchange rates as to revenues and expenses. The resultant differences have been 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	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
<u>Currency conversion differences</u>						
<u>Associated company</u>						
HUA YIN HOLDING CO., LTD. (CHINA)	(7,844)	10,941	2.77	3.87	0.21	0.33
<u>Subsidiary company</u>						
M.C.S. STEEL - JAPAN COMPANY LIMITED	(90)	88	0.03	0.03	0.00	0.00
	(7,934)	11,029	2.80	3.90	0.21	0.33

8. OTHER LONG-TERM INVESTMENTS

General Investment - At Cost

						In Thousand Baht	
						Financial statements in which the equity method is applied / Separate financial statements	
Type of business	Type of relation	Currencies	Paid up shares (Unit:Thousand share)		Percentage of ownership		At Cost
			As at December 31, 2010	As at December 31, 2009	As at December 31, 2010	As at December 31, 2009	As at December 31, 2010 As at December 31, 2009
Kano Sangyo Co., Ltd. (Japan)	Structure steel fabrication	Shareholding Japanese Yen	84,000	84,000	11.90	11.90	3,237 3,237
<u>Less</u> Allowance for impairment of investment						(1,619)	-
						<u>1,618</u>	<u>3,237</u>

As at December 31, 2010 and 2009, the general investments in shares capital are carried at cost. The net book values of the investments based on the such company of latest available audited financial statements as at July 31, 2010, which was audited by another auditor.

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, 2009 (Restated)	Additions	Deductions	Transfer in (out)	Balance as at December 31, 2010
Structural steel business					
<u>At Cost</u>					
- Land	129,169,372.55	-	-	-	129,169,372.55
- Building	311,392,355.21	195,249.40	-	101,504,902.96	413,092,507.57
- Machinery and crane	195,465,627.89	3,605,700.53	-	71,554,644.73	270,625,973.15
- Tools and equipment	67,312,078.41	5,972,939.72	(2,022,000.00)	-	71,263,018.13
- Furniture, fixture and office equipment	41,530,730.03	9,510,327.88	(1,153,067.07)	-	49,887,990.84
- Vehicle	6,782,336.45	19,500.00	-	-	6,801,836.45
- Construction in progress	62,332,363.39	39,172,539.57	-	(101,504,902.96)	-
- Machinery and crane in progress	21,829,922.44	49,724,722.29	-	(71,554,644.73)	-
Total at cost	835,814,786.37	108,200,979.39	(3,175,067.07)	-	940,840,698.69
<u>Less Accumulated depreciation</u>					
- Building	(90,679,353.72)	(20,829,606.99)	-	-	(111,508,960.71)
- Machinery and crane	(145,006,198.00)	(29,704,888.69)	-	-	(174,711,086.69)
- Tools and equipment	(45,088,496.17)	(6,593,722.33)	2,021,995.00	-	(49,660,223.50)
- Furniture, fixture and office equipment	(29,052,952.13)	(6,472,819.24)	1,146,480.32	-	(34,379,291.05)
- Vehicle	(1,583,150.03)	(1,313,815.57)	-	-	(2,896,965.60)
Total accumulated depreciation	(311,410,150.05)	(64,914,852.82)	3,168,475.32	-	(373,156,527.55)
<u>Less Loss on impairment</u>					
- Land	(4,643,555.05)	-	-	-	(4,643,555.05)
- Machinery and crane	(1,141,987.97)	-	-	-	(1,141,987.97)
Total loss on impairment	(5,785,543.02)	-	-	-	(5,785,543.02)
At cost - net	518,619,093.30				561,898,628.12
Biofertilizer business					
(Discontinuing operations)					
<u>At Cost</u>					
- Tools and equipment	7,444,453.05	-	(220,063.80)	-	7,224,389.25
- Furniture, fixture and office equipment	853,372.72	-	(467,502.33)	-	385,870.39
Total at cost	8,297,825.77	-	(687,566.13)	-	7,610,259.64
<u>Less Accumulated depreciation</u>					
- Tools and equipment	(7,221,243.66)	(164,058.01)	179,349.81	-	(7,205,951.86)
- Furniture, fixture and office equipment	(850,036.51)	(2,832.02)	467,488.33	-	(385,380.20)
Total accumulated depreciation	(8,071,280.17)	(166,890.03)	646,838.14	-	(7,591,332.06)
At cost - net	226,545.60				18,927.58
Property, plant and equipment - net	518,845,638.90				561,917,555.70

	In Baht	
	Financial statements in which the equity method is applies / Separate financial statements	
	For the years ended December 31,	
	2010	2009
Depreciation in the income statement was shown in		
Cost of sales	52,625,022.49	49,917,579.68
Administrative expenses	12,456,720.36	13,875,827.57
Total	<u>65,081,742.85</u>	<u>63,793,407.25</u>

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.

On 11 October 2006, the Federation of Accounting Profession (FAP) announced “Accounting Record on Revaluation” FAP announcement No. 25/2549 requires the Company has two alternatives to be applied on recording assets when revaluation: (a) comply with the principle as stipulated in paragraph No.38 of TAS No. 16 “Property, Plant and Equipment” (Previous TAS No. 32) or (b) comply with the cost method when revaluation in made.

The Company adopted the alternative to comply with the cost method when revaluation is made. 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).

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 September 30, 2010, the Company did not recognized the recent revaluation because the recent revaluation were still under consideration by the management. And since the fourth quarter of 2010, the management resolved to change an accounting policy.

As at December 31, 2010 and 2009, 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 392.60 million.

As at December 31, 2010, 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 181,320,874.91 Baht 52,859,543.88 and Baht 23,620,621.20, respectively.

The Change of accounting policy

At the board of directors meeting held on November 27, 2010, the board of directors resolved to change the accounting policy concerning the method of measurement subsequent to the initial recognition of land, buildings, machinery and crane from the revaluation method based on the value appraised by an independent appraiser since August 2004 (acceptable method by the accounting principle) to the cost method (standard method by the accounting principle) since December 31, 2010. Because the management believes that the appraisal values by the market approach and depreciated replacement cost for building, machinery and crane of an independent appraiser are incapable of reflecting the appropriate fair values, and since the values appraised are significantly higher than the net asset value of the machinery and crane group, which had been modified with adds-on specific to the industrial, so it is difficult to assess whether the appraisal value by such method is appropriate. At this time the Company has secure financial position so it is unnecessary to use the appraisal value. The Company has given retrospective effect on the financial statements ending December 31, 2009 as presented herewith for comparative purpose. The effects cause total assets and shareholders' equity as at January 1, 2009 and 2010 to decrease in the same amount of Baht 99,297,141.03 and Baht 89,122,026.78, respectively.

10. OTHER NON-CURRENT ASSETS

This account consisted of :-

	In Baht	
	Financial statement in which the equity method is applied / Separate financial statements	
	2010	2009
Intangible assets-net	4,514,449.08	3,494,169.09
Deposit and guarantee	480,313.50	8,625.00
Total	4,994,762.58	3,502,794.09

Intangible assets-net consisted of :-

	In Baht			
	Balance as at		Balance as at	
	December 31, 2009	Additions	Deductions	December 31, 2010
<u>At Cost</u>				
Computer software	7,541,438.62	1,889,305.24	-	9,430,743.86
<u>Less</u> Accumulated amortization	(4,047,269.53)	(869,025.25)	-	(4,916,294.78)
Net	3,494,169.09	1,020,279.99	-	4,514,449.08

	In Baht	
	Financial statement in which the equity method is applied / Separate financial statements	
	For the years ended December 31,	
	2010	2009
Amortization in the income statement was shown in		
Administrative expenses	869,025.25	815,823.66
Total	869,025.25	815,823.66

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

As at December 31, 2010 and 2009, the Company has overdraft lines with two commercial banks and a commercial bank totalling Baht 15 million and Baht 5 million, respectively, carrying interest at floating rate MOR per annum.

As at December 31, 2010 and 2009, the Company has trust receipt and letter of credit with two commercial banks and a commercial bank totalling Baht 1,700 million and Baht 1,300 million, respectively, carrying bank charge at 0.0625% per three months and 0.0833% per three months, respectively.

As at December 31, 2010 and 2009, 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, 2010 and 2009, 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 and total raw materials.

12. **ACCOUNTS PAYABLE AND NOTE PAYABLE**

This account consisted of :

	In Baht			
	Financial statements in which the equity method is applied/ Separate financial statements			
	In foreign currencies			
	2010	2009	2010	2009
Baht	40,498,420.97	43,864,251.53	40,498,420.97	43,864,251.53
Japanese Yen	2,703,695,073.00	2,845,116,603.00	1,011,771,362.79	1,040,200,236.09
US Dollar	5,580.00	22,299.00	169,053.35	747,391.11
Total			1,052,438,837.11	1,084,811,878.73

13. 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 on the contract in each year and subject to review yearly. The warranty will cover a period of two years, commencing as from the day on 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, 2010	As at December 31, 2009
Balance, beginning of year	171,466,730.52	130,991,069.65
<u>Add</u> Additional during the year	49,567,827.18	71,026,786.93
<u>Less</u> Payment during the year	(39,765,611.80)	(30,551,126.06)
Provision for warranty under contract (reversal)	(76,111,208.36)	-
Balance, ending of year	105,157,737.54	171,466,730.52
<u>Less</u> Current portion of provision for warranty under contract	(58,608,883.64)	(109,183,721.36)
Provision long-term for warranty under contract	46,548,853.90	62,283,009.16

In the year 2010, the Company had reversed the provision for warranty under contract in the amount of Baht 76.11 million on account of the negotiation carried out by the management with the customers. As a result, the damage was fully reflected and now the Company does not have risk and obligation for the warranty anymore.

As at December 31, 2010, the management re-examined the provision for the warranty under contract of the value of goods sold and delivered to the buyer still covered under the warranty period in the amount of Baht 9,762.68 million.

14. 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.

15. 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.

16. DIVIDEND PAID

At the Board of Directors meeting 2/2010 held on March 6, 2010, the board unanimously approved to pay dividends from the earnings for the six-month period ended December 31, 2009 at Baht 0.45 per share amounting to Baht 225 million. The Company paid the dividend on May 4, 2010.

The dividend was approved by the 2010 Annual General Shareholders Meeting on April 22, 2010.

At the Board of Directors meeting 5/2010 held on August 6, 2010, the board unanimously approved to pay dividends from the earnings for the six-month period ended June 30, 2010 at Baht 0.30 per share amounting to Baht 150 million. The Company paid the dividend on September 3, 2010.

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.

17. CAPITAL MANAGEMENT

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

According to the separate balance sheet as at December 31, 2010 and 2009, the Company's debt-to-equity ratio was 0.64 : 1 and 0.84 : 1, respectively.

18. 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, 2010 and 2009 amounted to Baht 2.35 million and Baht 2.33 million, respectively.

19. BUSINESS SEGMENT INFORMATION

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

Financial statements in which the equity method is applied

	For the year ended December 31, 2010 (In Baht)		
	Structural steel		
	Local	Foreign	Total
Revenues			
Sales	123,860,566.69	2,817,436,722.68	2,941,297,289.37
Gain on exchange rate	-	68,478,392.98	68,478,392.98
Other income	1,972,328.87	45,954,688.00	47,927,016.87
Total revenues	125,832,895.56	2,931,869,803.66	3,057,702,699.22
Expenses			
Cost of sales	109,372,142.80	1,456,763,577.73	1,566,135,720.53
Selling expenses	2,478,500.00	248,226,424.68	250,704,924.68
Administrative expenses	8,715,696.27	211,837,883.61	220,553,579.88
Total expenses	120,566,339.07	1,916,827,886.02	2,037,394,225.09
Sharing in profits (losses) from			
investments in associates and subsidiary	-	21,630,128.53	21,630,128.53
Profit before finance costs and			
income tax	5,266,556.49	1,036,672,046.17	1,041,938,602.66
Finance costs	-	8,297.38	8,297.38
Profit before income tax	5,266,556.49	1,036,663,748.79	1,041,930,305.28
Income tax	1,187,972.60	229,769,492.65	230,957,465.25
Net profit	4,078,583.89	806,894,256.14	810,972,840.03
As at December 31, 2010			
Property, plant and equipment - net			561,917,555.70
Other assets			3,132,785,714.70
Total			3,694,703,270.40

For the year ended December 31, 2009 (In Baht)

	Continuing operations			Discontinuing	
	Structural steel			operations	
	Local	Foreign	Total	Bio fertilizer	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 (restated)			518,619,093.30	226,545.60	518,845,638.90
Other assets					2,835,572,805.05
Total					3,354,418,443.95

Separate financial Statements

For the year ended December 31, 2010 (In Baht)			
	Structural steel		
	Local	Foreign	Total
Revenues			
Sales	123,860,566.69	2,817,436,722.68	2,941,297,289.37
Gain on exchange rate	-	68,478,392.98	68,478,392.98
Other income	1,972,328.87	53,975,208.25	55,947,537.12
Total revenues	125,832,895.56	2,939,890,323.91	3,065,723,219.47
Expenses			
Cost of sales	109,372,142.80	1,456,763,577.73	1,566,135,720.53
Selling expenses	2,478,500.00	248,226,424.68	250,704,924.68
Administrative expenses	8,692,894.33	211,860,685.55	220,553,579.88
Total expenses	120,543,537.13	1,916,850,687.96	2,037,394,225.09
Profit before finance costs and income tax	5,289,358.43	1,023,039,635.95	1,028,328,994.38
Finance costs	-	8,297.38	8,297.38
Profit before income tax	5,289,358.43	1,023,031,338.57	1,028,320,697.00
Income tax	1,187,972.60	229,769,492.65	230,957,465.25
Net profit	4,101,385.83	793,261,845.92	797,363,231.75
As at December 31, 2010			
Property, plant and equipment - net			561,917,555.70
Other assets			3,133,352,362.15
Total			3,695,269,917.85

For the year ended December 31, 2009 (In Baht)					
	Continuing operations			Discontinuing	
	Structural steel			operations	
	Local	Foreign	Total	Bio fertilizer	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 (restated)			518,619,093.30	226,545.60	518,845,638.90
Other assets					2,830,786,169.03
Total					3,349,631,807.93

20. 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,	
	2010	2009	2010	2009
Net profit attributable to ordinary shareholders (Baht)	810,972,840.03	576,260,409.85	797,363,231.75	586,804,750.08
Weighted average number of ordinary shares (Shares)	500,000,000	500,000,000	500,000,000	500,000,000

21. 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,	
	2010	2009
Raw materials used	1,180,992,028.67	2,248,887,799.94
Indirect supplies used	120,387,847.68	138,215,474.22
Provision for warranty under contract	49,567,827.18	71,026,786.93
Provision for warranty under contract (reversal)	(76,111,208.36)	-
Repair expenses	21,059,589.56	26,277,045.44
Drawing expenses	18,176,499.22	19,987,028.30
Depreciation and amortization	65,950,768.10	64,609,230.91
Employee benefit costs	197,098,413.80	164,232,499.72
Administrative - shipping clearance export	250,704,924.68	277,606,367.47
Compensation payable to customers	8,764,700.00	-

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

22. MANAGEMENT BENEFIT EXPENSES

	In Baht	
	Financial statements in which the equity method is applied/ Separate financial statements	
	For the years ended December 31,	
	2010	2009
Management benefit expenses	24,610,353.03	16,593,864.64

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.

23. PRIVILEGES AND BENEFITS UNDER INVESTMENT PROMOTION

The Company has been granted the privileges and benefits under the Investment Promotion Act B.E. 2520 as approved by the Board of Investment according to the certificate no. 1064 (2) /2553 dated January 25, 2010, for the manufacturing of gasket under category 4.19 - Fabrication of metal structure products or platform repair, as follows:-

1. Exemption of import duty on imported machinery approved by the Board of Investment.
2. Exemption of corporate income tax on income from the promoted operations for a period of 5 years from the date income is first derived from operation at 100% of the amount invested excluding land and working capital, limit at the maximum of Baht 173.365 million.
3. Dividends paid from promoted operations which are exempted from corporate income tax are exempted from inclusion in the determination of income tax.
4. Exemption from import duty on raw materials and essential materials imported for use specifically in producing for export for a period of 1 year as from the date of first import.
5. Exemption from import duty on import goods to export for a period of 1 year as from the date of first import.

The Company has to comply with certain conditions and restrictions specified under the promotion certificates. (In the during 2010, the Company don't have revenues from promoted operations.)

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, and the Company do not hold or issue derivative investment or trading purposes.

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, 2010 and 2009, the Company's foreign currency assets and liabilities were as follows:

	Financial statements in which the equity method is applied/ Separate financial statements			
	2010		2009	
The value of foreign currency assets - YEN	2,100.44	million	2,955.67	million
The value of foreign currency assets - USD	1.25	million	-	million
The value of foreign currency liabilities - YEN	2,964.73	million	3,059.50	million
The value of foreign currency liabilities - USD	0.01	million	0.02	million

As at December 31, 2010 and 2009, the forward contracts in which the duration is 6 months were as follows:

	As at December 31, 2010			
	Forward contract		Fair value	The outstanding
	(million JPY)	(million Baht)	(million Baht)	period (days)
The selling contract	231.12	85.91	84.68	66
The selling contract	300.00	110.35	110.09	108
The selling contract	300.00	110.86	110.13	116
The selling contract	300.00	107.24	110.34	161
The selling contract	300.00	108.42	110.36	164
The selling contract	300.00	107.82	110.36	164
The selling contract	300.00	109.89	110.44	179
The selling contract	300.00	111.51	110.44	179
Total	2,331.12	852.00	856.84	

	As at December 31, 2010			
	Forward contract		Fair value	The outstanding
	(million USD)	(million Baht)	(million Baht)	period (days)
The buying contract	0.08	2.45	2.39	68
The buying contract	2.00	60.18	60.73	108
Total	2.08	62.63	63.12	

	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	

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 form net income for the periods adjusted by the items defined under the Revenue Code as taxable or non-taxable income or tax expense 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	
	2010	2009	2010	2009
The accounting profit before income tax	1,041,930,305.28	802,836,394.15	1,028,320,697.00	813,380,734.38
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	(21,630,128.53)	10,544,340.23	-	-
- Allowance for declining in value of inventories (reversal)	(25,717,275.82)	36,569,237.91	(25,717,275.82)	36,569,237.91
- Allowance for declining in value of other long - term investments	1,619,213.36	-	1,619,213.36	-
- Provision for import duty (reversal)	(15,896,268.75)	15,896,268.75	(15,896,268.75)	15,896,268.75
- Provision for warranty under contract	49,567,827.18	71,026,786.93	49,567,827.18	71,026,786.93
- Payment of provision for warranty under contract	(39,765,611.80)	(30,551,126.06)	(39,765,611.80)	(30,551,126.06)
- Provision for warranty under contract (reversal)	(76,111,208.36)	-	(76,111,208.36)	-
- Tax privilege	(775,191.82)	(2,418,426.28)	(775,191.82)	(2,418,426.28)
- Other reconciliation	10,608,200.25	2,400,461.55	2,587,680.00	2,400,461.55
Taxable profit	923,829,860.99	906,303,937.18	923,829,860.99	906,303,937.18
Income tax for the year (at the rate 25%)	230,957,465.25	226,575,984.30	230,957,465.25	226,575,984.30
Less Payment during the year	(103,313,184.52)	(90,253,989.98)	(103,313,184.52)	(90,253,989.98)
Accrued income tax	127,644,280.73	136,321,994.32	127,644,280.73	136,321,994.32

26. COMMITMENTS AND CONTINGENT LIABILITIES

As at December 31, 2010,

- 26.1 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 29.80 million and product warranty in the amount approximately Baht 122.12 million. (JPY 333.97 million)
- 26.2 The Company has unused letter of credit in the amount approximately Baht 61.35 million.
- 26.3 The Company has commitment under 1 sales contracts to deliver the local goods amount approximately Baht 15.84 million and 7 sales contracts to deliver the oversea goods amount approximately Baht 2,242.07 million. (JPY 6,131.53 million).

27. APPROVAL OF FINANCIAL STATEMENTS

These financial statements have been approved by the Company's Board of Directors on February 12, 2011.