

Annual Report
2010



GLOBAL
GROWTH
GREEN

GSteel

G Steel Public Company Limited



Vision

We will be a world-class steel industry leader.

Mission

- Entering into the global market with a wide range of steel products
- Growing our business through increased production capacity at lower costs
- Improving and developing products that best address customers' demand
- Developing human resources continuously
- Preserving the environment and contributing to the betterment of the society
- Adding value to stakeholders

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Message from _____ Chairman of the Board of Directors

The Thai economy overall in 2010 had some growth above the previous year. The demand for domestic steel was about 14 million metric tons, 44.33% increased from the year before. The steel products with the increased use was the flat-shaped steel due to the demand of downstream industries, e.g. automobile and electrical appliance industries expanding at a higher rate and the trend of the steel industry in 2011 expecting to expand continuously.

As a result, the Company had a turnover increased from the previous year. At the end of 2010 the Company and its subsidiaries had Baht 22,904 million revenue from sale of goods, Baht 952 million increased, while the whole year revenue was Baht 29,706 million, increasing from the previous year by Baht 2,643 million. However, the Company and the operators of the same business around the world had faced the severe economic crisis in 2008. For the Company, it had clear guidelines on solving the liquidity problem, on supply of working capital, and on the adjustment of the operational structure to get stronger. Such measures included seeking new strategic partners, searching for new sources of working capital and loan from both domestic and international financial institutions, as well as negotiating with suppliers and accelerating debt collecting process, while increasing cash transactions.

The Company succeeded in restructuring the US\$ 170 million bonds the maturity date was in October 2010 by partially converting to capital and reducing in some part under the Bonds Exchange Program. There were negotiations with the trade creditors, accelerations of debt collection, and strictness in sale of goods in cash. Moreover, on 2 March 2011 the Company made progress on signing the capital investment agreement with ArcelorMittal Netherlands B.V. ("AM"). These methods have sent a signal on better adjustment. The Company is thus confident that it can develop the potential in its operation and financial status, as well as its and the group's business operations.

For the good corporate governance, G Steel has been well aware of the importance of such principle all along with receiving an "Excellent" rating and special commendation for exemplary performance in the conducting of the 2010 Annual General Shareholders Meeting assessed by the SEC and the Thai Investors Association. These have reflected for the time being the determination of the Board of Directors, the management, and all employees, to give priority to the transparency in business operation and fair treatment to all stakeholders.

Year 2011 will be an important step for the Company to restructure the management and operations to enter into international level. The management and employees in all divisions have to unify to brave the crisis and build the Company's business opportunity so as for its sustainable growth in the future.

On behalf of the Board of Directors, I appreciate the trust and support that the shareholders, customers, trade partners, and business allies, have given to the Company's operations throughout the time.



(Vijit Supinit)

Chairman of the Board of Directors

G Steel is a group of hot rolled coil manufacturers only one in Thailand that the melting, casting, and rolling are integrated into one mill. G Steel simultaneously runs business and takes good care of the country's society and environment. G Steel, with its executives and employees doing realize their responsibility towards good corporate governance, supervises its manufacturing process to ensure that it will not adversely affect the community surrounding the factories, with campaigns to ensure worthiness of use of resources, and to manufacture good products responding consumers' demand with friendliness to environment. The Company's Corporate Social Responsibility (CSR), including taking good care of its people's living, welfare and safety at work, as well as developing their knowledge and competency, has always been G Steel's core policy.

Continuously in the past year, G Steel's employees participated in various activities, organized by both public and private sectors, to develop and improve economy, society, community, and environment so as for the betterment, including G Steel's taking care of the good quality of life of its employees and their families, such as:

On community;

- Provide open house activity for knowledge about steel industry, etc.

On economic development;

- G Steel Market Fair held to help people in community for more income from selling their crops, etc.

On society and public benefit;

- Blood donation; Rayong Provincial Red Cross was invited for blood collection from the employees.
- Beautiful Temples with Our Hands project; G Steel cooperated with the community to clean the temples' surrounding area so as for improving the landscape to be more beautiful.
- Plan in 2011 for a rubber stripping machine making for the community.

On cultural promotion and cultural heritage conservation;

- Annual merit making on Songkran Day, New Year's Day, Kathin offering robes to monks, Phapa fundraising, being circulated to various temples in the community, etc.

On social development;

- Annual health checkup for staff, their family members' health insurance, annual sports activities.

On environmental aspect participation;

- Project of planting trees in factories to increase green area so as for a Buffer Zone to prevent the dust from the plants not to fall in the community's agricultural plot nearby.
- Mangrove planting, and garbage preventing range at the mount of Rayong River, etc.

The results of the focus on CSR of G Steel that took place continuously in 2010 helped it to receive 2 renown awards from the government sector, e.g. CSR-DIW Continuous Awards where G Steel's Standard for Corporate Social Responsibility has been certified by the Department of Industrial Works since 2008, and CSR-DPIM certificate, where G Steel achieved the Standard for Corporate Social Responsibility for Mining Industry B.E. 2553, from the Department of Primary Industries and Mines, Ministry of Industry.



(Khunying Patama Leeswadtrakul)
Chief CSR

Financial Highlights

Information from consolidated financial statements of the Company and its Subsidiaries		2010	2009 (Restated)	2008 (Restated)
Total assets	(Million Baht)	45,446	56,332	64,956
Total liabilities	(Million Baht)	27,736	29,349	24,427
Shareholders' equity	(Million Baht)	17,710	26,983	40,529
Sales revenue	(Million Baht)	22,904	21,952	36,487
Total revenue	(Million Baht)	29,706	27,063	41,313
Gross profit (loss)	(Million Baht)	(9,916)	(11,481)	(5,127)
Net profit (loss)	(Million Baht)	(12,167)	(13,540)	(6,347)
Accumulated net profit (loss)	(Million Baht)	(8,760)	1,354	11,668
Financial Ratios				
Liquidity ratio	(Times)	0.19	0.13	0.81
Debt to equity ratio	(Times)	1.57	1.09	0.60
Gross profit (loss) ratio	(%)	(1.71)	(41.13)	(1.04)
Net profit (loss) ratio	(%)	(34.05)	(38.11)	(7.75)
Average return on equity ratio	(%)	(72.50)	(44.42)	(4.10)
Average return on assets ratio	(%)	(19.87)	(17.01)	(5.85)
Net earnings (loss) per share	(Baht)	(0.73)	(0.75)	(0.24)
Book value per share	(Baht)	0.60	1.31	2.06

Name, Address and Nature of Business

Name	G STEEL PUBLIC COMPANY LIMITED		
Symbol	GSTEEL		
Registration Number	0107538000746		
Head Office	18 th Floor, PASO Tower, 88 Silom Road, Suriyawong, Bangrak Bangkok 10500, Thailand Tel. 0-2634-2222 Fax. 0-2634-4114		
Factory	55 Moo 5, SSP Industrial Park, Nonglalog, Bankhai, Rayong 21120, Thailand Tel. 0-3886-9323 Fax. 0-3886-9333		
Website	http://www.gsteel.com		
Establishment Date	31 October 1995		
Production Commencement Date	1 November 1999		
Nature of Business	Production and Distribution of Hot Rolled Coil and Slab Hot Rolled Coil ; - Width 900 - 1,550 mm. - Gauge 1.0 - 13.0 mm. Slab ; - Width 900 - 1,550 mm. - Gauge 80 - 100 mm.		
Production Technology	Melting - Electric Arc Furnace from Germany Casting - Medium Slab Casting Machine from Japan Rolling - Hot Strip Mill from Japan		
Production Capacity	1,800,000 tons per annum		
No. of Employees	644 persons		
Registered Capital	18,960,000,000	Baht	
Ordinary Shares	18,960,000,000	Shares	
Par Value	1	Baht per share	
Paid-up Capital	16,481,695,198	Baht	
Paid-up Ordinary Shares	16,481,695,198	Shares	

Referrals and Their Locations

Common Stock Registrar

Ordinary Shares	Thailand Securities Depository Company Limited 4 th and 7 th Floors, The Stock Exchange of Thailand Building 62 Rajadapisek Road, Khlong Toey, Bangkok 10110 Tel. 0-2229-2800 Fax. 0-2359-1259		
Bond Trustee	The Hongkong and Shanghai Banking Corporation Limited Level 30, HSBC Main Building, 1 Queen's Road Central, Hong Kong		
Auditors	Mr. Nirand Lilamethawat, Certified Public Accountant License No. 2316 Mr. Vairoj Jindamaneepitak, Certified Public Accountant License No. 3565 Mrs. Wilai Buranakittisopon, Certified Public Accountant License No. 3920 Mr. Charoen Phosamritert, Certified Public Accountant License No. 4068 Mr. Bunyarit Thanormcharoen, Certified Public Accountant License No. 7900 KPMG Phoomchai Audit Ltd. 48 th Floor, Empire Tower, 195 South Sathorn Road, Bangkok 10120 Tel. 0-2677-2000 Fax. 0-2677-2222		

Nature of Business

G Steel Public Company Limited is a producer and distributor of hot rolled coil and slab. The Company's products are used as raw materials for various downstream industries as cold rolled steel sheets, galvanized steel, steel pipes, steel products for construction, oil or gas containers, automobile and parts, as well as electrical appliances and furniture.

The Company's hot rolled coil mill is equipped with the world's state-of-the-art technology. The melting, casting and rolling processes are all efficiently integrated into one mill called Compact Mini Mill. The facility comprises Electric Arc Furnace, Medium Slab Casting Machine and Hot Strip Mill.

The production process begins with melting scrap and pig iron in an electric arc furnace at 1,600 °C into liquid steel. Additives are added to the products to improve their quality to meet customers' demand. The refined liquid steel is then cast into medium sized slab with 80-100 mm. thickness and is subsequently hot-rolled into the specific required gauge. The Company is Thailand's first and among very few mills in the world to be able to produce hot rolled steel sheets that are as thin as 1.0 mm. The said process is continuous and last only 3.5 hours to complete.

The Company's hot rolled coil mill was designed with maximum capacity of 3.4 million tons per annum. Its current production capacity is 1.8 million tons per annum and its designated production efficiency for product mixed ratio as per market requirement is 1.5 million tons per annum. The hot rolled steel sheets meet international standards adopted in the US (ASTM), Japan (JIS), Europe (DIN, BS) and Thailand Industrial Standard (TIS). The Company has been also certified by TUV NORD and NAC for all management systems, including quality, environment, as well as occupational health and safety. They are ISO 9001, ISO 14001, OHSAS/TIS 18001 and CE Marking including certificate of recognition on Standard for Corporate Social Responsibility - Department of Industrial Works (CSR-DIW).

Income Structure

The Company's main sales income is from domestic sales due to high demand in both construction and industrial sectors. However, the Company continues to export some of its products in order to maintain its presence in the international markets for future business growth. The Company's income structure in the past 3 years are as follows:

(Unit : Million Baht)

Income	Distribution Channel	2010		2009 (Restated)		2008 (Restated)	
		Income	%	Income	%	Income	%
Sales form	Domestic	22,152	74.6	20,271	74.9	27,894	67.5
Hot Rolled Coil	Overseas	752	2.5	1,681	6.2	8,672	21.0
Less : Trade Discount		-	-	-	-	(78)	(0.2)
	Total	22,904	77.1	21,952	81.1	36,488	88.3
Other Income		6,802	22.9	5,111	18.9	4,826	11.7
Total Income		29,706	100	27,063	100	41,314	100

Note : The Company's other income includes sales of various scrap from production process, interest income, foreign exchange gain and consultancy fee paid by affiliates.

Future Projects

In 2010, there was progress in the expanded projects as follows :

1. For Skinpass Mill Production Line as well as tailor-made Slitting and Shearing, the Company installed machineries with readiness for operation to benefit the expanded projects of Skinpass Mill, Slitting and Shearing. Also, the Company has been already granted an approval from the Board of Investment to use the machines.

2. For Pickling and Oiling Line, and Cold Rolling of Flat Products projects, the complete machineries of approximately 90% have been installed.

Steel _____

Industry Situation

Overview of Hot Rolled Flat Steel Industry in 2010

The global steel industry has gradually recovered throughout the year 2010 after being adapted to the difficult economic situation in various regions that were not getting quite well, but just in some Asian countries, including Thailand, that apparently turned back on track recently. The economic impact, especially financial, on the Thai steel industry, however, has remained persistent as many businesses have been solving their problems in operational performance and cash flows that need huge working capital, plus much time spent, much effort and patience in order to suavely get through the crisis.

According to the latest statistical data from Iron and Steel Institute of Thailand, the aggregate demand for hot rolled flat steel, including other kinds of steel flat products that consume hot rolled coil and sheet as raw materials, during January through October (10 months) of 2010 was 7.84 million tons, increasing 58.5% from the same period of previous year. In this quantity, there included 5.0 million tons of the demand for hot rolled flat steel for direct uses. The Company estimates that for the whole year 2010, the aggregate demand for hot rolled flat steel is going to reach 9.40 million tons (including 6.0 million tons of hot rolled steel for direct uses), increasing 43.0% from 6.58 million tons in the previous year due to the manufacturing sector, the country's main part of economic system, decelerating its growth in the 4th quarter of 2010. Yet this is a very clear and significant recovery of the country's crucial primary industry sector.

Trend for Hot Rolled Flat Steel Industry in 2011

The trend that the hot rolled steel prices have increased stably throughout 2010 is a positive sign in line with demand and supply at equilibrium point, as supported by the factors like the finished goods inventory at low level in the market as producers and traders were always careful in doing their business, not to make or buy to stock; the cost of raw materials, i.e. scraps and pig iron, which have shown a clear sign of picking up further into the coming year 2011, and the domestic and international demand, especially Asia, will better recover subject to the economic recovery led by improved private consumption and investment in the region. In addition, if the Thai government and politics become more stable, the government's approved investment in mega projects will be likely to make progress in the 2nd quarter (the beginning of fiscal year) onwards; thus to put another force pulling up demand for hot rolled flat steel in Thailand.

Though there are few threats from the unfinished recession in the western world that might lead Chinese producers to release their over-supply goods to Thailand and the neighboring countries, the Company believes that as the Chinese government and China Iron and Steel Association (CISA) already acknowledged Southeast Asia Iron and Steel Institute (SEAISI)'s complaint on the adverse effect by steel imports from China and have mutual direction to cooperate for no repetition of such the problems. Also Thailand's Ministry of Commerce is quite likely to put antidumping measure into effect against imports of hot rolled coil from China and Malaysia in the first quarter of 2011 onwards, which will then help cease the repetitive floods of unfairly-traded over-supply goods to Thailand.

The said important factors will be the apparent drives on steel price increase with tendency to stay at a higher level than at present during the year to come.

Administration of sales, raw material and production costs and product development will still be the most important areas of work that the steel businesses must take care and have a close look at in order to adapt themselves to changes in a timely manner, and make right decisions carefully, based on the actual demand, rather than being lured by the market speculation. Hence the steel market will be stable, not fluctuating, become sustainable and lasting to bring values to the primary industry and further development to the country.

Report _____ on 2010 Performance and Key Events

Company's Performance

At the end of 2010, the Company and its subsidiaries had total assets accounting for Baht 45,446 million, total liabilities at Baht 27,736 million, and total shareholders' equity at Baht 17,710 million. Sales turnover for the whole year was Baht 29,706 million which increased from the previous year with net loss of Baht 12,167 million or Baht 0.74 loss per share due to the Company's reserve of Baht 11,267 million for an asset impairment loss.

Acknowledgement of ranking for 2008-2009 Top Corporate Governance Report as "Excellence"

January 2010, the Company was announced for 2008-2009 Top Corporate Governance Report as "Excellence" resulting from the evaluation of the SET listed companies' outstanding practice for their conforming with Good Corporate Governance jointly evaluated by SET, SEC, and Thai Institute of Directors (IOD).

Establishment of GS Notes Holdings Co., Ltd. as subsidiary

July 2010, the Company established GS Notes Holdings Co., Ltd. as a subsidiary with the registered capital of Baht 1 million where the Company holds 99.99% of 100,000 ordinary shares with the par value of Baht 10 per share the objective is for the restructuring of the debts under the Company's bonds by issuing ordinary shares to increase its capital for its subsidiary as remuneration to the shareholders who participated in the Bonds Exchange Program.

An increase in the authorized share capital of the Company from Baht 13,860 million to Baht 18,960 million to support the restructuring of the debts under the bonds

On 29 September 2010, the Extraordinary General Meeting of Shareholders No. 1/2010 passed the resolution to approve an increase in the authorized share capital of the Company from Baht 13,860 million to Baht 18,960 million, through the issuance of no more than 5,100 million shares with par value of Baht 1 per share to support the restructuring of the debts under the US\$ 170 million bonds the maturity is in October 2010 where the Company issued ordinary shares to increase its capital for its subsidiary as remuneration to the shareholders who participated in the Bonds Exchange Program.

Achievement in CSR-DPIM 2010 Standard for Mining Industry

On 3 September 2010, the Company was certified to the Standard for Corporate Social Responsibility for Mining Industry B.E. 2553 that the Department of Primary Industries and Mines adapted for the operations of mineral industrial plant on social and environmental responsibility with the joint evaluation of “MASCI”, the ISO certification body.

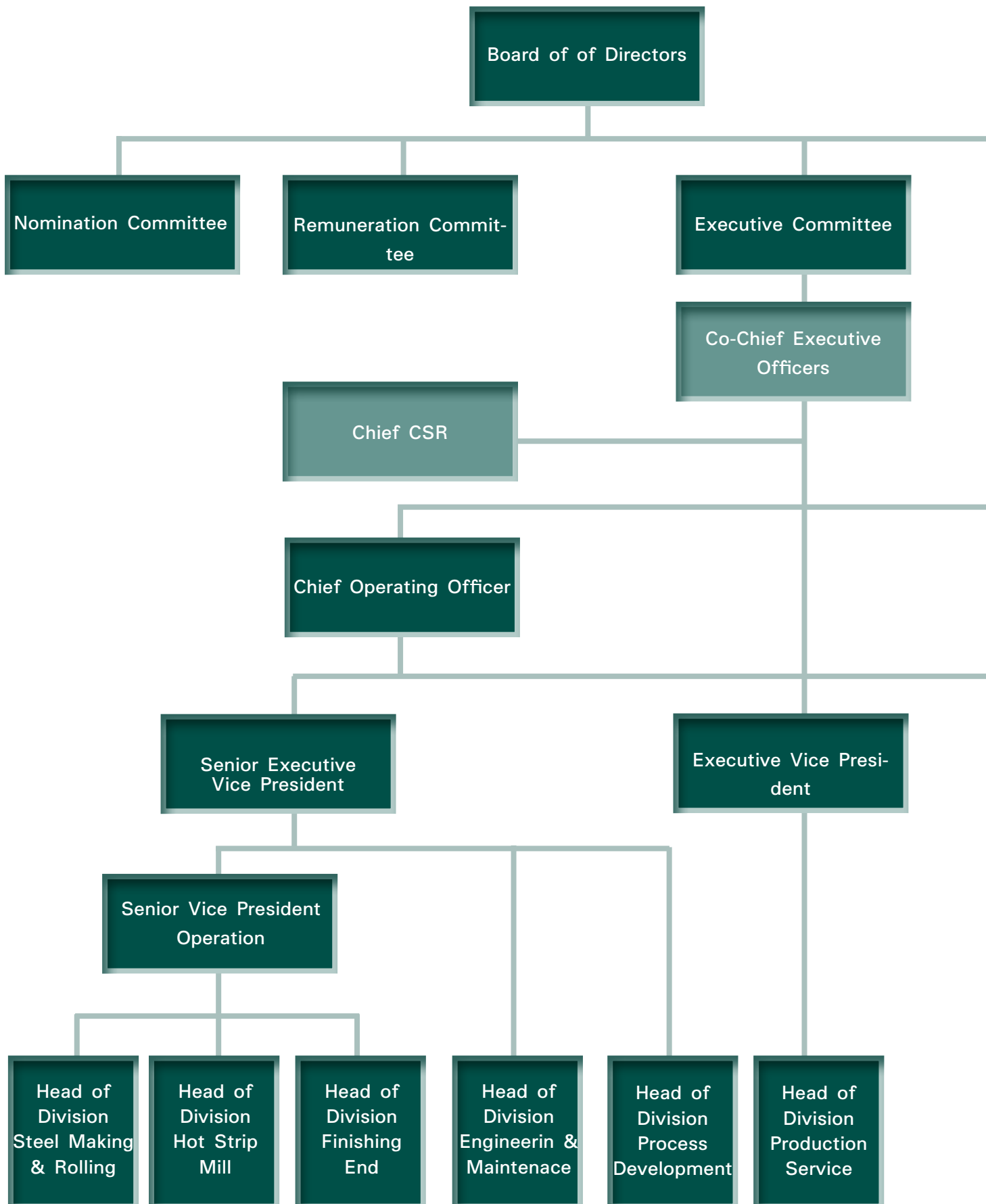
Receiving CSR-DIW Continuous Awards 2010

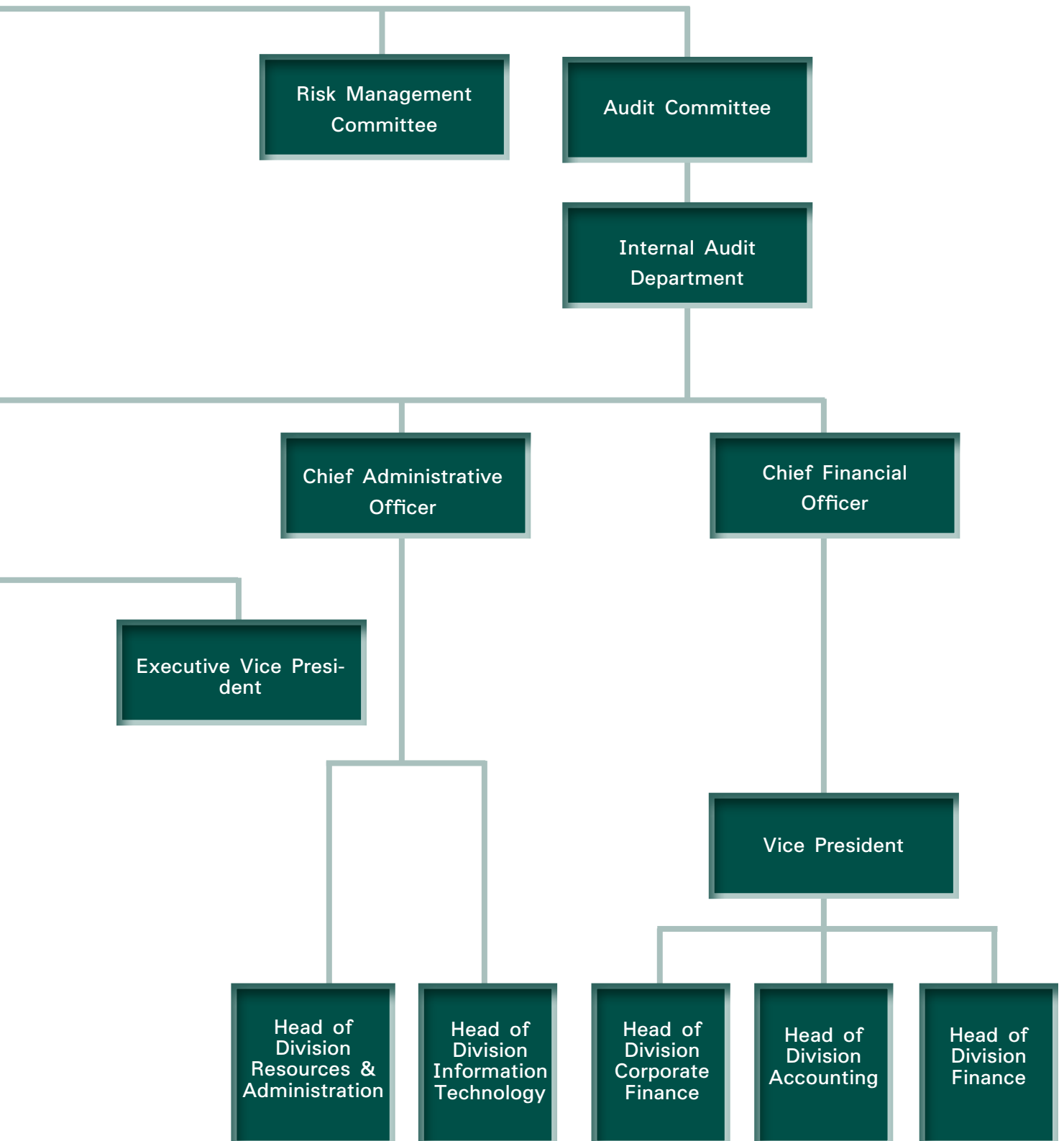
On 25 January 2010, the Company received a renown award of CSR-DIW : Standard for Corporate Social Responsibility - Department of Industrial Works Continuous Awards 2010 where the Company has been certified by the Department of Industrial Works since 2008 and the responsibility standards for society and environment are still carried on with the improvement and adoption in the Company's CSR practice continuously.

Success in bonds restructuring in Bonds Exchange Program

During November-December 2010, the Company succeeded in restructuring the bonds the maturity date was in October 2010 by partially converting to capital and reducing in some part leaving approximately US\$ 35 million the maturity date is 4 October 2015.

Organization Chart





Information _____ about the Board of Directors and the Management

1. The Board of Directors

Name/ Position	Age (years)	Relation ship	Education / Training	% of shares	Experience
1. Mr.Vijit Supinit - Chairman of the Board of Directors	68	none	<ul style="list-style-type: none"> Class 3 Leadership Program, Capital Market Academy Class 31 National Defense Course, National Defense College, Thailand M. Econ., Yale University, USA B. Econ. (Honors), Manchester University, England Ph. D. (Economics) Hon. Ramkhamhaeng University Training <ul style="list-style-type: none"> Director Accreditation Program (DAP), The Role of Chairman Program (RCP) and Audit Committee Program (ACP) Thailand Institute of Directors : IOD 	none	G Steel Public Company Limited 2006-Present Chairman of the Board of Directors Others 2008-Present Chairman of the Securities and Exchange Commission 2008-Present Director and Chairman of the Audit Committee, TMB Bank Public Company Limited 2007-Present Dean, Graduate School of Business, Siam University 2004-2007 Chairman of the Thailand Future Exchange Company Limited 2003-2007 Chairman of the Board of Directors, The Stock Exchange of Thailand 2003-2007 Chairman of the Board of Directors, Asset Management Corporation 1994-1995 Director, Airport Authority of Thailand 1993-1996 Chairman of the Board of Directors, Export and Import Bank of Thailand 1992-1996 Commissioner, Securities and Exchange Commission 1990-1996 Governor and Chairman The Bank of Thailand 1990-1996 Executive Director, The Office of the National Economic and Social Development Board 1990-1991 Director, The Office of the Board of Investment 1987-1990 Executive Director, Siam City Bank Public Company Limited

Name/ Position	Age (years)	Relation ship	Education/ Training	% of shares	Experience
2. Dr. Somsak Leeswadtrakul - Vice Chairman of the Board of Directors	58	Husband of Khunying Patama Leeswad- trakul	<ul style="list-style-type: none"> Wharton-NIDA Executive Leadership Program Certificate, The Wharton School, University of Pennsylvania, USA Leadership Program, Capital Market Academy The Program of Senior Executive in Criminal Justice Administration Honorary Doctorate in Administration, Kasetsart University MBA, Ramkhamhaeng University B. Econ., Ramkhamhaeng University Training <ul style="list-style-type: none"> Director Accreditation Program (DAP), Director Certification Program (DCP), The Role of Chairman Program (RCP) and Financial Statements for Directors (FSD) Thailand Institute of Directors : IOD 	none	G Steel Public Company Limited 2010-Present Vice Chairman of the Board of Directors 1995-2009 Chairman of the Executive Committee and Chief Executive Officer Others 2009-Present Vice Chairman of the Board of Directors, G J Steel Public Company Limited 1988-Present Director, Thailand Iron Works Public Company Limited Present Honorary President, Association of Thai Metal Present Board Member, Iron Steel Institute of Thailand Present National Institute of Development Administration Council Member Present Distinguished Member Ramkhamhaeng University Council Present Audit Committee Member, Ramkhamhaeng University Present Council Member, St. Louis College Present Board of Directors Member, World Vision Foundation of Thailand
3. Mr. Ryuzo Ogino - Director - Executive Director - Co-Chief Executive Officer	67	none	<ul style="list-style-type: none"> B. Econ., Keio University, Japan 	none	G Steel Public Company Limited 2010-Present Co-Chief Executive Officer 2005-Present Director and Executive Director 2004-2009 President Others 2000-2004 Director, Suncall Corporation 1965-2000 Director, Itochu Corporation

Name/ Position	Age (years)	Relation ship	Education/ Training	% of shares	Experience
4. Mr. Ahab G. Garas - Director - Executive Director - Co-Chief Executive Officer	39	none	<ul style="list-style-type: none"> • Juris Doctor (J.D.) • Master of Business Administration (M.B.A.) Case Western Reserve University (CWRU) • Bachelor of Arts (B.A.) Boston University, USA 	none	G Steel Public Company Limited 2010-Present Director, Executive Director and Co-Chief Executive Officer Others 2003-Present Managing Director United States and the Middle East Global Principal Partners LLC
5. Prof. Paichitr Roajanavanich - Director - Chairman of the Audit Committee	82	none	<ul style="list-style-type: none"> • Class 25 National Defense Course, National Defense College, Thailand • MGA (Fiscal Policy), Pennsylvania University, USA • Graduate Diploma in Accountancy (equivalent to Master's Degree), Thammasat University • LL.B., Thammasat University • CPA-Thailand Training <ul style="list-style-type: none"> • Director Certification Program (DCP) and Audit Committee Program (ACP) Thailand Institute of Directors : IOD 	none	G Steel Public Company Limited 2004-Present Director and Chairman of the Audit Committee Others 2005-Present Chairman, The Far East Law Office (Thailand) Company Limited 1999-Present Chairman of the Audit Committee, MBK Development Public Company Limited 1999-Present Chairman of the Audit Committee, Muramoto Electron (Thailand) Public Company Limited 1985-Present Chairman, Karnjian Company Limited
6. Mr. Ariel Seth Levy - Director - Executive Director - Chief Financial Officer	36	none	<ul style="list-style-type: none"> • Business Administration, University of Michigan, USA 	none	G Steel Public Company Limited 2010-Present Director, Executive Director and Chief Financial Officer Others 2010-Present Director and Executive Director G J Steel Public Company Limited 2003-Present Principal & Managing Director Global Principal Partners LLC

Name/ Position	Age (years)	Relation ship	Education/ Training	% of shares	Experience
7. Khunying Patama Leeswadtrakul - Director - Executive Director - Chief CSR	47	Wife of Dr. Somsak Leeswad- trakul	<ul style="list-style-type: none"> Wharton-NIDA Executive Leadership Program Certificate, The Wharton School, University of Pennsylvania, USA Leadership Program, Capital Market Academy Honorary Doctorate in General Administration, Ramkhamhaeng University MBA., Ramkhamhaeng University B. Econ., Ramkhamhaeng University Training <ul style="list-style-type: none"> Director Accreditation Program (DAP), Director Certification Program (DCP), The Role of Chairman Program (RCP) and Financial Statements for Directors (FSD) Thailand Institute of Directors : IOD 	8.70%	G Steel Public Company Limited Present Director, Executive Director and Chief CSR 2003-2009 Vice Chairman of the Board of Directors, Assistant Chief Executive Officer and President Others 1997-Present Director, Arnoma Hotel Bangkok Company Limited Present Chairperson Homeland Loyalty Club Present Director, Ramathibodi Foundation under the Royal Patronage of HRH Princess Mahachakri Sirindhorn Present Chairperson, St. Francis Xavier Alumni Association under the Royal Patronage of HM the Queen Present Honorary President Thailand Philharmonic Orchestra Present Advisory Board Chairperson Bangkok Opera Foundation Present Honorary President and Founder Thailand Choral Association
8. Mr. Yanyong Kurovat - Director - Executive Director - Nomination Committee Member - Chairman of the Risk Management Committee	72	none	<ul style="list-style-type: none"> Class 5, National Defense Course for Joint Private and Public Sectors, National Defense College Graduate Diploma in Government, Chulalongkorn University 	none	G Steel Public Company Limited 2009-Present Chairman of the Risk Management Committee 2006-Present Nomination Committee Member 2004-Present Director and Executive Director Others 2003-Present Director, G.O. International (Thai) Company Limited

Name/ Position	Age (years)	Relation ship	Education/ Training	% of shares	Experience
			<ul style="list-style-type: none"> B.A. in Political Science, Chulalongkorn University Training <ul style="list-style-type: none"> Director Accreditation Program (DAP) and Corporate Social Responsibility (CSR) Thailand Institute of Directors : IOD 		2003-Present Advisor, MAN Trucks & Bus Concessionaires (Thailand) Company Limited 2000-Present Managing Director, Technology Operation Group Company Limited 2000-Present Managing Director, Academic Network Company Limited 2003-2007 Chairman, General Election Committee, Pathumthani province 1996-2000 Director, Bangkok Mass Transit Authority (BMTA)
9. Assoc. Prof. Prapanpong Vejjajiva - Director - Audit Committee Member - Chairman of the Remuneration Committee	75	none	<ul style="list-style-type: none"> Class 28 National Defense Course, National Defense College Certificate in Business Administration, Stanford University Graduate Diploma in Welfare Administration, Stockholm University, Sweden M.A. in Social Science, Stockholm University, Sweden B.A. in Political Science (second class honors) in Government Training <ul style="list-style-type: none"> Director Accreditation Program (DAP), The Role of Chairman Program (RCP), Audit 		G Steel Public Company Limited 2006-Present Chairman of the Remuneration Committee 2005-Present Audit Committee Member 2004-Present Director Others 2007-Present Executive Director, Sasin Graduate Institute of Business Administration, Chulalongkorn University 2007-Present Advisor to the President, Hua Chiew Chalerm Prakiat University 2006-Present Chairman of the Asset Management Committee, Asset Management Office, Thai Red Cross Society 2002-Present Chairman of the Board of Directors, C&C International Venture Company Limited 2002-Present Council Member St. Louis College 1997-Present Director, Vice Chairman of the Board of Directors and Nomination

Name/ Position	Age (years)	Relation ship	Education/ Training	% of shares	Experience
			Committee Program (ACP) and the Role of the Compensation Committee (RCC) Thailand Institute of Directors : IOD		and Remuneration Committee Member, Media of Medias Public Company Limited 1995-Present Director, Rama IX Square Company Limited 1992-Present Council Member, Hua Chiew Chalern Prakit University 1987-Present Director, Dhammaniti Public Company Limited 1986-Present Asset Management Director and Chairman of the Executive Committee, Asset Management Office, Thai Red Cross Society
10. Mr. Chainarong Monthienvichienchai - Director - Chairman of the Nomination Committee	65	none	<ul style="list-style-type: none"> M.A. (Management), Asian Institute of Management B.A. (Business Administration), Chulalongkorn University Training <ul style="list-style-type: none"> Director Accreditation Program (DAP) Thailand Institute of Directors: IOD 	0.009%	G Steel Public Company Limited Present Chairman of the Nomination Committee 2000-Present Director 2006-2010 Nomination Committee Member Others 1994-Present Director, Saint John for Education Company Limited 2002-Present Director, Arnoma Hotel Bangkok Company Limited 2007-Present Chairman of the Board of Trustees, Saint John's University 1991-2007 Vice Chairman of the Board of Trustees, Saint John's University
11. Pol. Lt. General Prakard Satamarn - Director - Executive Director - Remuneration Committee Member	68	none	<ul style="list-style-type: none"> Class 1, Advanced Management Program, National Defense College Class 37 National Defense Course, National Defense College International Police 	none	G Steel Public Company Limited 2006-Present Remuneration Committee Member 2004-Present Director and Executive Director Others 2005-Present Advisor to Directors, Queen Sirikit National Convention Center 2004-Present Advisor, Thai Nam Thip Company Limited

Name/ Position	Age (years)	Relation ship	Education/ Training	% of shares	Experience
			Program, USA • LL.B., Thammasat University Training • Director Accreditation Program (DAP) Thailand Institute of Directors : IOD		2007-2008 Chairman of the Board of Directors, Bang Pakong Water Works Co., Ltd. 2007-2008 Chairman of the Board of Directors, Chachoengsao Water Works Co., Ltd. 2007-2008 Chairman of the Board of Directors, Nakorn Sawan Water Works Co., Ltd. 2006-2007 Advisor to the Deputy Interior Minister 2006-2007 Advisor to the Board of Directors, State Railways of Thailand 2000-2006 Member of the Disciplinary Committee, Office of the Auditor-General 2002-2003 Commander of Police Forensic Science, Royal Thai Police 2000-2002 Commander (Investigation), Royal Thai Police
12. General Choochat Kambhu Na Ayudhya - Director - Remuneration Committee Member	66	none	• Class 7, National Defense Course for Joint Private and Public Sectors, National Defense College • Certificate of the Royal Thai Army War College • Diploma of General Surgery, Council of Doctors of Medicine • Doctor of Medicine, University of Gottingen, Germany • Doctor of Medicine, University of Munster, Germany Training • Director Accreditation Program (DAP)	none	G Steel Public Company Limited 2006-Present Remuneration Committee Member 2004-Present Director Others 2006-Present Chairman of the Board of Directors and Independent Director, Singha Paratech Public Company Limited 2005-Present Independent Director Thai Beverage Public Company Limited 2005-Present Physician Leader, Medical Bureau to His Majesty the King 2004-Present Chairman of the Audit Committee and Independent Director, Lucky Music Company Limited 2003-Present Chairman of the Board of

Name/ Position	Age (years)	Relation ship	Education/ Training	% of shares	Experience
			Thailand Institute of Directors : IOD		<p>Directors, Unity Percussion Company Limited</p> <p>2003-2004 Army Special Expert, Royal Thai Army</p> <p>2003-2004 Advisor to the National Defense Studies Institute, Military Supreme Command</p> <p>2001-2003 Director General, Royal Thai Army Medical Department</p> <p>2000-2001 Director, King Mongkut Medical Department</p> <p>1998-2000 Deputy Director General, Royal Thai Army Medical Department</p>
<p>13. Mr. Preecha Prakobkit</p> <p>- Director</p> <p>- Audit Committee Member</p>	63	none	<ul style="list-style-type: none"> Executive Leadership Thunderbird, The American Graduate School of International Senior Executive Program, Sasin Graduate Institute of Business Administration, Chulalongkorn University Mini MBA, Thammasat University Business Administration, Rossevelt University, USA <p>Traning</p> <ul style="list-style-type: none"> Director Accreditation Program (DAP), Audit Committee Program (ACP) and Finance for Non-Finance Director (FND) <p>Thailand Institute of Directors : IOD</p>	none	<p>G Steel Public Company Limited</p> <p>2003-Present Director and Audit Committee Member</p> <p>Others</p> <p>1998-Present Managing Director, Amway (Thailand) Company Limited</p>

Name/ Position	Age (years)	Relation ship	Education/ Training	% of shares	Experience
14. Asst. Prof. Komol Wong-Apai - Director - Nomination Committee Member	73	none	<ul style="list-style-type: none"> • M.A. (English Teaching), Certificate in Intensive Linguistics, Ball State University, USA • Bachelor of Education (English Understudies), Srinakharinwirot University 	none	G Steel Public Company Limited Present Nomination Committee Member 2009-Present Director Others 1999-Present Qualified Consultant of English Department, Faculty of Humanities and Social Sciences, Bansomdej Rajabhat University 1998-2003 Invited Instructor of Business English Program, Suandusit Rajabhat University 1985-2003 Foreign Affairs Consultant, Phurich Company Limited 1987-1997 Assistant Professor in Foreign Languages Department, Faculty of Humanities and Social Sciences, Bansomdej Rajabhat University 1989-1992 Invited Lecturer of Medical Technician Department, Siriraj Hospital, Mahidol University
15. Mr. Sittichai Leeswadtrakul - Director - Executive Director	31	none	<ul style="list-style-type: none"> • Business Course, University of California of Berkeley • Master of Managing Engineering, Warwick University, UK • Master of Law, Department of Economics Regulation, Chulalongkorn University • Business Administration, Mahidol University Training <ul style="list-style-type: none"> • Director Accreditation Program (DAP) Thailand Institute of Directors : IOD 	2.03%	G Steel Public Company Limited 2009-Present Director and Executive Director Others 2009-Present Director and Executive Director, G J Steel Public Company Limited 2008-Present Chairman of the Executive Board, BRP Steel Company Limited 2004-Present Director and Managing Director, Millconsteel Industries Public Company Limited

2. The Management

Name/ Position	Age (years)	Relation ship	Education/ Training	% of shares	Experience
1. Mr. Nakun Sakunchotikarote - Chief Operating Officer	42	none	<ul style="list-style-type: none"> Master of Business Admin, College of Notre Dame, San Francisco, USA Bachelor of Political Science (Public Finance), Chulalongkorn University 	0.0006%	G Steel Public Company Limited Present Chief Operating Officer 2008-2009 Senior Vice President 2006-2008 Vice President Corporate Finance and Vice President Human Resources and Admin. (Acting) 2005-2006 Vice President Corporate Finance
2. Mr. Wuttichai Sresthabutra - Chief Administrative Officer	38	none	<ul style="list-style-type: none"> BAA, National University San Diego, CA, USA Bachelor of Economic and Finance (International) Chulalongkorn University 	none	G Steel Public Company Limited Present Chief Administrative Officer 2010-Present Vice President 2008-Present Company Secretary
3. Mr. Oscar Miguel Ojeda Luna - Senior Executive Vice President	66	none	<ul style="list-style-type: none"> Ph.D. of Metallurgy, Sheffield City Ploytechnic, England 	none	G Steel Public Company Limited Present Senior Executive Vice President 2007-2009 Chief Operation Officer
4. Ms. Kannikar Soykeeree - Executive Vice President	37	none	<ul style="list-style-type: none"> MBA, University of the Thai Chamber of Commerce B.A., Chandrakasem Rajabhat University 	none	G Steel Public Company Limited 2008-Present Executive Vice President 2006-2008 Senior Vice President and Vice President Accounting (Acting) 1999-2006 Vice President Commercial

Shareholding Structure

The Company's 10 major shareholders as at 1 March 2011.

No.	Shareholders' Names	Shares	%
1.	Superior Overseas (Thailand) Company Limited ¹	2,522,588,903	15.31
2.	Khunying Patama Leeswadtrakul Group ²	1,484,623,093	9.00
3.	Thai NVDR Company Limited	1,054,158,900	6.40
4.	Whiterock Global Fund, SPC.	892,200,414	5.41
5.	The Bank of New York (Nominees) Limited	617,952,500	3.75
6.	HSBC Private Bank (Suisse) SA	425,220,000	2.58
7.	Mr. Sittichai Leeswadtrakul	334,946,800	2.03
8.	Mr. Pramote Possawong	315,864,700	1.92
9.	Mr. Niram Ngamchamnurit	229,960,800	1.40
10.	HSBC (Singapore) Nominees Pte. Ltd.	229,679,000	1.39
11.	Others	8,374,500,088	50.81
Total		16,481,695,198	100.00

¹ Superior Overseas (Thailand) Company Limited's Shareholding Structure

(1) Khunying Patama Leeswadtrakul	29.42%
(2) Mr. Ekpeth Chansue	19.80%
(3) Mrs. Chuanpit Pattana	15.38%
(4) Marco Wealth Investment Company Limited	10.00%
(5) Others	25.40%

² Khunying Patama Leeswadtrakul Group's Shareholding Structure

(1) Khunying Patama Leeswadtrakul	8.70%	(1,434,623,093 shares)
(2) Ms. Suthidarat Leeswadtrakul	0.15%	(25,000,000 shares)
(3) Ms. Suratiporn Leeswadtrakul	0.15%	(25,000,000 shares)

Corporate Management Structure

The Company's Management Structure comprises the Board of Directors and 5 committees namely Executive Committee, Audit Committee, Nomination Committee, Remuneration Committee, and Risk Management Committee. Each committee's scope of authorities and responsibilities are as follows;

(1) Board of Directors

Definition

• Non-Executive Directors

Non-Executive Directors mean outside directors who are not the Company's executives or employees, nor executive directors, nor authorized signatory directors.

• Executive Directors

Executive Directors mean directors who are involved in routine operation and management as well as are authorized signatory directors.

• Independent Directors

Independent directors mean director that have specifications as follows;

1. Hold not exceeding 0.5% of the total voting shares of the Company, its subsidiaries or affiliates nor being a major shareholder, nor having any control power. The voting shares also include the shares held by their related persons (under Section 258 of Securities and Exchange Commission Act)

2. Never be or used to be Director who participates in management, nor being employee, staff, advisor in the payroll, or person who is authorized to control the Company, subsidiaries or affiliate companies, nor having benefit or gain or loss, except that he has been no longer in such positions for at least 3 years.

3. Not being person who has descending relationship, or legally register as father, mother, spouse, relative, or child, or the child born from the Spouse of executive, major shareholder, authorized controller, or person who is nominated to be executive or authorized person controlling the Company or subsidiaries.

4. Not being person who has, or used to have, business relationship with the Company, subsidiaries, affiliate companies, major shareholder, or authorized controller, by offering professional and trade service, according to SET requirement on connected transaction, except that he has no longer had such relation for at least 3 years.

5. Not be nor used to be auditor of the Company, subsidiaries, affiliate companies, major shareholder, or authorized controller, and not being shareholder.

6. Never been appointed as representative of the Company's director, major shareholder, or shareholder who is connected with major shareholders.

7. Not be in any other position that cannot offer independent views.

8. Be capable in protecting all shareholders' benefits equally and supervising so as for any conflict of interest between the Company and related persons to be prohibited, and able to attend the meetings of the Board of Directors whereby a decision on significant issues are made.

Furthermore, this definition of independent directors has been revised so as to be more strict than that defined by SEC.

Criteria in selecting independent directors

The Company selects independent directors taking into account the knowledge, experience, good understanding in related businesses, vision, as well as sufficient time to perform duty, also with the qualities as stated in the concerned government agencies' announcements, regulations and rules. The Company would invite qualified persons to be its independent directors. The Company also considers whether the aforementioned independent directors are able to exercise their knowledge and capability as well as to provide opinions that are useful and appropriate to support the Company's business operation.

The Board of Directors comprises the Chairman who is an independent director. The number of 15 members of the Board of Directors comprises 8 non-executive (7 independent directors) and 7 executive directors. The number of 15 members of the Board of Directors is supposed to be appropriate, as well as the composition of 47% executive directors, all are knowledgeable and can provide in-depth comment in regards to steel industry as well as formulate strategic business plan, while non-executive and independent directors accounting for 47%, have good knowledge and understanding of the overall industrial sector, finance and banking, asset management, auditing, law, and others, so as to encourage creative opinion expression in the Board of Directors' meetings. The Board of Directors shall make decision for the best benefits of the Company.

During 2010 until now, there have been the following changes and revision of Directors' power.

Two directors (General Singha Saovapap and Prof. Dr. Uthit Siriwan)) resigned on 3 February 2010. The meeting of the Company's Board of Directors No. 1/2010 on 4 February 2010 resolved to appoint Mr. Ahab G. Garas and Mr. Ariel Seth Levy to be new directors after the prior procedure of selection and approval by the Nomination Committee and the Board of Directors had been made.

Currently, the Company's Board of Directors comprises 15 members as follows :

1. Mr. Vijit	Supinit	Chairman	(independent director)
2. Dr. Somsak	Leeswadtrakul	Vice Chairman	(non-executive director)
3. Mr. Ryuzo	Ogino	Director	(executive director)
4. Mr. Ahab G.	Garas	Director	(executive director)
5. Prof. Paichitr	Roajanavanich	Director	(independent director)
6. Assoc. Prof. Prapanpong	Vejjajiva	Director	(independent director)
7. Mr. Preecha	Prakobkit	Director	(independent director)
8. Khunying Patama	Leeswadtrakul	Director	(executive director)
9. Mr. Yanyong	Kurovat	Director	(executive director)
10. Pol. Lt. General Prakard	Satamarn	Director	(executive director)
11. General Choochat	Kambhu Na Ayudhya	Director	(independent director)

12. Mr. Chainarong	Monthienvichienchai	Director	(independent director)
13. Asst. Prof. Komol	Wong-Apai	Director	(independent director)
14. Mr. Ariel Seth	Levy	Director	(executive director)
15. Mr. Sittichai	Leeswadtrakul	Director	(executive director)

Authorized signatory directors on the Company's behalf are "Mr. Ariel Seth Levy, or Khunying Patama Leeswadtrakul, or Mr. Yanyong Kurovat, or Mr. Ryuzo Ogino, or Pol. Lt. General Prakard Sataman, 2 out of 5 directors jointly sign and affix the Company's seal herewith.

The Roles and Responsibilities of the Board of Directors

1. To manage the Company in compliance with legal framework, objectives, rules and regulations, as well as the resolution of the shareholders' meeting with honesty and discretion for the best benefits of the Company.

2. To formulate policy and direction in business operation as well as conduct and supervise the execution of the Management to meet with the preset policies effectively and efficiently.

3. To be consistently accountable to shareholders and to manage for the best benefits of shareholders, as well as to accurately, sufficiently and transparently disclose information to investors.

4. To appoint and revise the Company's list of authorized signatory directors on the Company's behalf.

5. To appoint committees to assist in supervising, monitoring and controlling the Company's key operations. Such committees are Executive Committee, Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee.

6. To delegate any person or persons to duly act on behalf of the Board in the time frame which the Board considered as proper. The Board may have such delegation repealed, changed or modified.

7. To stipulate recruiting process to select, hire and appoint appropriate person as the Chief Executive Officer and stipulate appropriate remuneration, and to empower the CEO to transfer, suspend or terminate employment."

8. To prepare the Board of Directors' report for the year and be responsible for the preparation and disclosure of financial statements revealing the Company's financial status and performance in the past year to present to the shareholders' meeting.

9. To convene at least once every 3 months. Ruling of the Board of Directors is based on majority vote. Directors with conflict of interest in any matters shall have no voting right on such issue.

10. To arrange an Annual General Shareholders' Meeting within 4 months after the Company's fiscal year-end date. In case of an execution any director or parties with possible conflict of interest, as per announcements of the Securities and Exchange Commission (SEC) and/or the Stock Exchange of Thailand (SET), may have conflict of interest, the director(s) shall have no authority to approve the matter thus for the best benefits of the Company and shareholders.

(2) Executive Committee

Currently, the Company's Executive Committee comprises 7 executive members as follows:

1. Mr. Ryuzo	Ogino	Chairman of the Executive Committee
2. Khunying Patama	Leeswadtrakul	Executive Director
3. Mr. Yanyong	Kurovat	Executive Director
4. Pol. Lt. General Prakard	Satamarn	Executive Director
5. Mr. Ahab G.	Garas	Executive Director
6. Mr. Ariel Seth	Levy	Executive Director
7. Mr. Sittichai	Leeswadtrakul	Executive Director

Responsibilities of the Executive Committee

1. To review policies, business plan, investment plan, and annual budget plan to present to the Board of Directors for approval.
2. To monitor, supervise and control the execution of plans to achieve the preset goals earlier approved by the Board of Directors or as assigned. The committee is also responsible for reporting the Company's performance to the Board of Directors' meeting for acknowledgement.
3. To approve any execution or payment which exceeds an authority or authorized amount of the executive in accordance with the Company's authorization regulations or annual budget previously approved by the Board of Directors.
4. To consider the organizational structure, management authority, remuneration policy and salary structure.
5. To consider authorization of managerial and operational staff levels which covers finance, accounting, procurement, investment, loan, mortgage, collaterals, assets transfer, and entering into any contract or agreement as well as other operations as deemed appropriate.
6. To assign any person or persons to act on behalf of the Executive Committee as deemed appropriate. The authorization can be revoked, changed or mended.
7. To consider and approve to open different types of bank accounts with commercial banks as deemed appropriate and assign persons to authorize withdrawal or payment from such bank accounts.
8. To undertake other tasks as assigned by the Board of Directors. The authorization of the Executive Committee mentioned above does not include authorizations that enable the Executive Committee to approve any transactional items that any executive director has conflict of interest as per the announcement of SEC, with the Company or its affiliates. The Executive Committee shall propose such matters to the Board of Directors and/or the shareholders' meeting for consideration and approval under related regulations, announcements or law.

(3) Audit Committee

Definition

• Audit Committee

Audit Committee members mean persons appointed by the Board of Directors or the Company's shareholders. The Audit Committee members must be independent directors and not to be directors

assigned by the Board of Directors to make decision on business operations of the Company, parent companies, subsidiaries, joint venture, similar subsidiaries, or any juristic persons that may have conflict of interest. They must be neither the director of parent companies, subsidiaries, joint venture, or similar subsidiaries. They must have qualifications and responsibilities as announced by the SEC and as per the SET regulations on the qualifications and work scope of audit committee. They must also have sufficient knowledge and experience to review the reliability of the financial statements and perform other duties in the capacity as Audit Committee members. The Board of Directors considered that all the Audit Committee members are qualified according to the Company's definition and comply with the SEC and SET regulations. The Audit Committee meeting also considered that Prof. Paichitr Roajanavanich has good knowledge and expertise in accounting and finance, as well as long experience in auditing which is adequate to review the reliability of the financial statements. Therefore, he was appointed as the Chairman of the Audit Committee, the biography of whom has been disclosed in the Audit Committee member's certificate of biography submitted to SET in 2008 according to the new regulation.

Currently, the Audit Committee comprised the following 3 members with 3 years term:

1. Prof. Paichitr	Roajanavanich	Chairman of the Audit Committee
2. Assoc. Prof. Prapanpong	Vejjajiva	Audit Committee Member
3. Mr. Preecha	Prakobkit	Audit Committee Member

Responsibilities of the Audit Committee

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

- (e) Opinion on transaction with possible conflict of interest.
- (f) The number of audit committee meetings and the attendance of each member.
- (g) Overall opinion and notes that the Audit Committee receives from performing complying with the laws (Charter).
- (h) Any other reports that shareholders and investors should be informed under the scope of responsibilities assigned by the Board of Directors.

7. To carry out any other tasks assigned by the Board of Directors and agreed by the Audit Committee.

8. To be accountable to the Board of Directors as per roles and responsibilities entrusted and shall report to it the performance, recommendations and findings at least twice a year. In any case where any Audit Committee member or parties with possible conflict of interest, have conflict of interest with the Company or its affiliates, the acquisition or sale of assets of listed companies and connected transactions (if any), as per announcements of SEC and/or SET, the Audit Committee shall report the matter to the Board of Directors and/or the shareholders' meeting for consideration and approval in compliance with related law and regulations.

(4) Nomination Committee

Definition

• Nomination Committee

The Company's Nomination Committee means group of persons appointed by the Board of Directors as the Nomination Committee. The Nomination Committee Chairman shall be an independent director. At least two thirds of the Nomination Committee members shall be independent directors in order to maintain transparency and independence in performing their duty. The committee members shall have good knowledge and sufficient experience to nominate directors and top management of the Company, as well as to perform other tasks in the capacity as the Nomination Committee.

The Company's Nomination Committee comprises the Committee Chairman who is an independent director, 1 independent director and 1 executive director. The Board of Directors considered that all members of the Nomination Committee have the qualifications defined by the Company and comply with the good governance practice announced by SET. The Nomination Committee perceived that Mr. Chainarong Monthienvichienchai, an independent director, is knowledgeable and has experience in nomination of directors and top management, and therefore appointed him the Committee Chairman.

Currently, the Nomination Committee comprises 2 members with 3 years term as follows:

- | | | |
|----------------------|---------------------|--|
| 1. Mr. Chainarong | Monthienvichienchai | Chairman of the Nomination Committee
(independent director) |
| 2. Mr. Yanyong | Kurovat | Nomination Committee Member
(executive director) |
| 3. Asst. Prof. Komol | Wong-Apai | Nomination Committee Member
(executive director) |

Responsibilities of the Nomination Committee

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

(5) Remuneration Committee

Definition

• Remuneration Committee

The Remuneration Committee means the group of persons appointed by the Board of Directors as the Remuneration Committee members. The committee chairman shall be an independent director. Out of the 3 members, at least 2 shall be independent directors in order to maintain transparency and independence to perform their duty. The committee members shall be knowledgeable with sufficient experience to perform their duty in deciding remuneration for directors and top management, as well as to perform other activities in the capacity as the Remuneration Committee members.

The Company's Remuneration Committee comprises the Remuneration Committee Chairman who is an independent director, a committee member who is an independent director and another one member who is an executive director. The Company's Board of Directors considered that all Remuneration Committee members are qualified in accordance with the qualifications stated in the Company's Remuneration Committee definition and the SET's good governance practice. The Remuneration Committee considered that Assoc. Prof. Prapanpong Vejajiva, an independent director, has the knowledge and experience in remuneration consideration, and appointed him the Remuneration Committee Chairman.

Currently, the Remuneration Committee comprises 3 members with 3 years term as follows:

- | | | |
|-----------------------------|-------------------|--|
| 1. Assoc. Prof. Prapanpong | Vejajiva | Chairman of the Remuneration Committee
(independent director) |
| 2. Pol. Lt. General Prakard | Satamarn | Remuneration Committee Member
(executive director) |
| 3. General Choochat | Kambhu Na Ayudhya | Remuneration Committee Member
(independent director) |

Responsibilities of the Remuneration Committee

1. To stipulate all rules and policies on remunerations for the Board of Directors, committees and Chief Executive Officer for the approval by the Board of Directors and/or, as the case may be, the shareholders' meeting.

2. To set necessary and appropriate annual remunerations for the Board of Directors, committees and the Chief Executive Officer.

3. To report to the Board of Directors the Remuneration Committee's meeting results or other matters the Board of Directors should be informed.

4. To perform any tasks assigned by the Board of Directors.

(6) Risk Management Committee

Definition

• Risk Management Committee

The Company's Risk Management Committee means the group of persons appointed by the Company's Board of Directors to review system and evaluate effectiveness of risk management, and to report how the risk goes on as well as risk management method to the Audit Committee in specified duration so as for maximizing the benefit to the Company.

Currently, the Risk Management Committee comprises 13 members as follows;

1. Mr. Yanyong	Kurovat	Chairman of the Risk Management Committee
2. Mr. Ryuzo	Ogino	Risk Management Committee Member
3. Mr. Sittichai	Leeswadtrakul	Risk Management Committee Member
4. Ms. Kannikar	Soykeeree	Risk Management Committee Member
5. Mr. Nopakao	Srisuvananda	Risk Management Committee Member
6. Mr. Nakun	Sakunchotikarote	Risk Management Committee Member
7. Ms. Methikan	Chutipongsiri	Risk Management Committee Member
8. Ms. Sophit	Changaroon	Risk Management Committee Member
9. Mr. Warawut	Suwannasorn	Risk Management Committee Member
10. Mr. Teerawat	Suttivijit	Risk Management Committee Member
11. Ms. Amonrut	Intatison	Risk Management Committee Member
12. Mr. Narongchai	Assawapusitkul	Risk Management Committee Member
13. Ms. Panalai	Heruncharakul	Risk Management Committee Member

Responsibilities of the Risk Management Committee

1. To set risk management policy that can be applied to all the organization.

2. To review and assess the effectiveness of the risk management at least 4 times a year and every period that the risk level changes, including paying attention and monitor risk warning signs as well as irregular items.

3. To report to the Internal Audit Committee any risk progress and risk management measures within the provided period for the best benefits of the Company.

(7) Company Secretary

The Board of Directors appointed Mr. Wuttichai Sresthabutra, Head of Office of CEO, to perform the duties of Company Secretary on giving the advices regarding laws and regulations which the Board

of Directors shall be aware, to monitor the Board of Directors' conduct as well as to coordinate and follow up the execution to be according to the Board of Directors' resolution.

Responsibilities of the Company Secretary

1. To give basic advice to the Board of Directors on related laws, regulations and provisions of the Company in accordance with the good corporate governance practices, as well as follow up and monitor the compliance to be accurate and consistent.
2. To arrange meetings of the Board of Directors, committees and shareholders in accordance with the applicable laws, the Company's regulations and practices, as well as complying with the good corporate governance policy of the Company and SET.
3. To monitor the disclosing of data and information to the responsible government agencies according to the regulations and requirements of related organizations, including communicating with shareholders and take care of them appropriately.
4. To provide and keep the following documents
 - (a) Directors' Record
 - (b) Invitation letters and minutes of the Board of Directors meetings, as well as the Company's annual report.
 - (c) Invitation letters to shareholders' meeting and the minutes.
5. To keep the conflict of interest report provided by directors or executives.
6. To support the Board of Directors' task as assigned.
7. To operate other tasks as specified by the SET's Capital Market Supervisory Board.

Management Team

The current management team of the Company is as follows;

- | | | |
|-------------------|-------------------|---------------------------------|
| 1. Mr. Ryuzo | Ogino | Co-Chief Executive Officer |
| 2. Mr. Ahab G. | Garas | Co-Chief Executive Officer |
| 3. Mr. Ariel Seth | Levy | Chief Financial Officer |
| 4. Mr. Nakun | Sakunchotikarote | Chief Operating Officer |
| 5. Mr. Wuttichai | Sresthabutra | Chief Administrative Officer |
| 6. Mr. Oscar | Miguel Ojeda Luna | Senior Executive Vice President |
| 7. Ms. Kannikar | Soykeeree | Executive Vice President |

Responsibilities of the Chief Executive Officer

1. To formulate business plan, investment plan, and annual budget plan for approval by the Executive Committee and/or the Board of Directors.
2. To be responsible for the overall management and to deliberate all the Company's policies to achieve the preset objectives and within the policy, business plan and budget plan approved by the Board of Directors.
3. To approve an execution or payment according to the Company's authorization regulations or annual budget approved by the Board of Directors.

4. To recruit, hire, transfer, reshuffle, suspend or terminate employment of any executives or employees and to stipulate scope of roles and responsibilities as well as appropriate remuneration. For the positions equivalent to Senior Vice President or higher to report to the Board of Directors, while for the positions equivalent to the Internal Audit Department, the proceeding shall be made with the Audit Committee's consideration.

5. To appoint respective authorized persons to sign the Company's document in the areas of accounting, finance, purchase, production, sales and general management, as well as other important document.

6. To set, change, revise or cancel any rules, regulations, order, announcement, punishment measures and internal control systems for use as guideline for all employees and to enable the internal management is executed as per the Company's policies.

7. To appoint advisors in various respects significant to the operations for the best benefits of the Company. The CEO is empowered to appoint attorney(s) to file lawsuit or defend case related to the Company.

8. To assign person(s) to perform task on his/her behalf as deemed appropriate. Such authorization can be terminated, changed or modified.

9. To report the Company's performance, progress of any projects and financial status to the Executive Committee and the Board of Directors.

10. To perform other works assigned by the Executive Committee or the Board of Directors. In case that the CEO or other persons with possible conflict of interest may have conflict of interest, the CEO shall have no right to approve such matter.

The Selection of Directors, Chief Executive Officer and Executives

(1) The selection of the Directors and Chief Executive Officer

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

1. Qualification as per Clause 68 of the Public Limited Company Act B.E. 2535, and announcement or rules and regulations of the Stock Exchange of Thailand and the Securities and Exchange Commission (SEC) and the Company's regulations.

2. The candidates' knowledge, capability, experience and specializations that would contribute to the Company's operational efficiency.

3. The candidates' qualifications shall support good corporate governance practices, such as ethics, independence, assertiveness, creativity, carefulness and integrity as well as ability to dedicate their time for the Company.

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

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

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

In addition, in selecting new director to replace a position vacant due to other reasons than tend of term according to the law shall be approved by the Board of Directors' meeting and thus with no less than two-thirds of the votes of the remaining directors. The new director who replace the vacant position shall be in office only during the remaining term of the vacant position.

In case directors resign, the Company's regulations allow the Board of Directors to appoint new directors as replacement.

(3) The selection of the Management

The Chief Executive Officer is authorized to nominated and appoint persons with appropriate qualifications in terms of education, knowledge, capability and business experience. The selection shall follow the Company's rules related to human resources management. For position equivalent to Senior Vice President or higher, the appointment of the person shall be reported to the Board of Directors for acknowledgement, while an appointment of positions equivalent to the Internal Audit Department executives shall be made with the Audit Committee's discretion.

Remuneration _____ for the Board of Directors and the Management

Currently, the world is facing economic downturn situation. Many companies worldwide are encountering financial loss. Many of them were closed down while many other companies laid off significant number of their employees. Consequently, showing their spirits and sacrifice voluntarily, the Company's Directors decided to reduce their remuneration so as for a good example to the Company's employees and all of the Company's stakeholders. The Remuneration Committee Meeting No. 1/2010 on 25 March 2010 unanimously resolved that the position remuneration, monthly remuneration and meeting allowance, for the directors not being employees nor executives, for the year 2010 amounting not exceed Baht 8,000,000 per year, to reduce by half (50%) until the situation returns to normal. Such resolution was approved by the Company's Board of Directors' meeting and 2010 Annual General Shareholders' Meeting on 29 April 2010. The new structure of the Directors' remuneration is as follows:

Position	Position Remuneration (Baht/month)	Monthly Remuneration (Baht/month)	Meeting Allowance (Baht/times)
Chairman of the Board of Directors	50,000	-	7,500
Director	-	15,000	3,750
Executive Director	-	-	2,500
Chairman of the Audit Committee	10,000	20,000	5,000
Audit Committee Member	-	20,000	5,000
Nomination Committee Member	-	-	3,750
Remuneration Committee Member	-	-	3,750

Any director who currently holds management position in the Company and receives remuneration in the forms of monthly salary will not receive remuneration above. In case any director takes up more than one position, such director shall receive only the remuneration of the position offering the highest return.

Total Remuneration for the Board of Directors and the Management in 2010

In 2010, the Company's 15 directors received the remunerations of total Baht 3.21 million comprising position and monthly remuneration, as well as meeting allowance. For 8 management team members (including expatriates), the Management Team's remuneration was Baht 42.82 million comprising monthly salary, bonus and others.

Remuneration for Individual Board Members for 2010

Name and Position	Remuneration (Baht)	Meeting Allowance (Baht)					Total Monetary Remuneration (Baht)
		Board of Directors	Executive Committee	Audit Committee	Nomina tion Committee	Remunera tion Committee	
1. Mr. Vijit Supinit	600,000	97,500	-	-	-	-	697,500
2. Dr. Somsak Leeswadtrakul *	-	-	-	-	-	-	-
3. Mr. Ryuzo Ogino *	-	-	-	-	-	-	-
4. Mr. Ahab G. Garas *	-	-	-	-	-	-	-
5. Prof. Paichitr Rojanavanich	360,000	52,500	-	60,000	-	-	472,500
6. Mr. Ariel Seth Levy *	-	-	-	-	-	-	-
7. Khunying Patama Leeswadtrakul *	-	-	-	-	-	-	-
8. Mr. Yanyong Kurovat	180,000	48,750	5,000	-	7,500	-	241,250
9. Assoc. Prof. Prapanpong Vejjajiva	240,000	45,000	-	55,000	-	3,750	343,750
10. Mr. Chainarong Monthienvichienchai	180,000	33,750	-	-	7,500	-	221,250
11. Pol. Lt. General Prakard Satamarn	180,000	45,000	5,000	-	-	3,750	233,750
12. Gen. Choochat Kambhu Na Ayudhya	180,000	41,250	-	-	-	3,750	225,000
13. Mr. Preecha Prakobkit	240,000	33,750	-	50,000	-	-	323,750
14. Asst. Prof. Komol Wong-Apai	180,000	52,500	-	-	-	-	232,500
15. Mr. Sittichai Leeswadtrakul	180,000	37,500	5,000	-	-	-	222,500
Total	2,520,000	487,500	15,000	165,000	15,000	11,250	<u>3,213,750</u>

Note * Directors who concurrently held positions in the Company and received remuneration in the form of monthly salary not be entitled to monthly remuneration nor meeting allowance

Other Remunerations

The Extraordinary General Meeting of the Shareholders No. 2/2004 on 5 October 2004 resolved an issuance and allocation of warrants of 100,000,000 units not being registered in the Stock Exchange of Thailand, to the Company's directors and employees (prior to the Company's Initial Public Offering) in recognition of the directors and employees' contribution to the Company as well as motivation to work for the Company in the long run. The details are as follows:

Type of Instrument	Name and Non-Negotiable Certificate of Warrant. It will be transferable only in case of inheritance or beneficiary heir.
Offering Size	100,000,000 units
Offering Price	Bath 0 per unit (Zero Baht)
Issuing and Offering Date	12 January 2006
Expiry Date	11 January 2011
Exercise Ratio	1 warrant per 1 ordinary share
Exercise Price	Baht 1 per share
Exercise Period	<ul style="list-style-type: none"> ■ One year after the date the Company's shares are traded on the Stock Exchange of Thailand until the expiry date of warrants (24 January 2007 - 11 January 2011). Holders are entitled to exercise at the one-third of the total allocated warrants and shall exercise their rights for the full portion at one time. ■ Two years after the date the Company's shares are traded on the Stock Exchange of Thailand until the expiry date of warrants (24 January 2008 - 11 January 2011). Holders are entitled to exercise at the one-third of the total allocated warrants and shall exercise their rights for the full portion at one time. ■ Three years after the date the Company's shares are traded on the Stock Exchange of Thailand until the expiry date of warrants (24 January 2009 - 11 January 2011). Holders are entitled to exercise at the one-third of the total allocated warrants and shall exercise their rights for the full portion at one time.
Exercise Date	<ul style="list-style-type: none"> ■ The last working day of March, June, September and December until the expiry date of the warrants. The first exercise date is 30 March 2007 and the last exercise date is 11 January 2011.

Each of the directors will be allocated no more than 2,000,000 units. Directors who are concurrently serving as the Company's employees will be entitled to an allocation to employees as well. The allocation began on 12 January 2006 according to the guideline approved by the Board of Directors.

Name	Volume (units)
Board of Directors	
1. Mr. Vijit Supinit *	-
2. Dr. Somsak Leeswadtrakul	2,000,000
3. Mr. Ryuzo Ogino	2,000,000
4. Mr. Ahab G. Garas *	-
5. Prof. Paichitr Roajanavanich	2,000,000
6. Mr. Ariel Seth Levy *	-
7. Khunying Patama Leeswadtrakul	2,000,000
8. Mr. Yanyong Kurovat	2,000,000
9. Assoc. Prof. Prapanpong Vejjajiva	2,000,000
10. Mr. Chainarong Monthienvichienchai	2,000,000
11. Pol. Lt. General Prakard Satamarn	2,000,000
12. General Choochat Kambhu Na Ayudhya	2,000,000
13. Mr. Preecha Prakobkit	2,000,000
14. Asst. Prof. Komol Wong-Apai *	-
15. Mr. Sittichai Leeswadtrakul *	-
Management	
1. Dr. Somsak Leeswadtrakul	5,000,000
2. Khunying Patama Leeswadtrakul	2,750,000
3. Mr. Ryuzo Ogino	2,750,000
4. Mr. Nakun Sakunchotikarote	2,000,000
5. Mr. Wuttichai Sresthabutra	248,000
6. Mr. Oscar Miguel Ojeda Luna	-
7. Ms. Kannikar Soykeeree	2,000,000
Employees	
676 employees	38,159,536
Cancelled warrants as at 31 December 2010 of directors and employees who resigned	27,064,664
Total	99,972,200

Note * Entering into the position after the warrants allocation date, thus not entitled for allocation.

As at 31 December 2010, there the Company's warrants of 27,064,664 units left since the directors and employees entitled to the allocation resigned and no additional right to the allocation exercised resulted the net balance of the warrants 72,472,338 units out of the total 99,972,200 units.

Also the 5-year warrants expired 11 January 2011, the non-exercised warrants of 72,472,338 units therefore may not be converted to shares anymore.

Shareholding of the Board of Directors and the Management

The Company's Secretary notified the Board of Directors and executives of the Notification of Securities and Exchange Commission (SEC) stipulating that the Company's directors and executives shall be liable to report the asset possession of them, spouses, including underage children to SEC within 30 days from the date of electing to be director and executive. Whenever such asset possession changes, it must be reported to SEC within 3 working days. Currently, there were changes in the assets possession of the Company's directors and executives, as follows:

Changes in Shareholding of the Board of Directors

Name	Shareholding (shares) : Par value 1 Baht		
	As of 31 Dec. 2010	As of 31 Dec. 2009	Increase/(Decrease)
1. Mr. Vijit Supinit	-	-	-
2. Dr. Somsak Leeswadtrakul	-	-	-
3. Mr. Ryuzo Ogino	-	-	-
4. Mr. Ahab G. Garas	-	-	-
5. Prof. Paichitr Roajanavanich	-	-	-
6. Mr. Ariel Seth Levy	-	-	-
7. Khunying Patama Leeswadtrakul	1,434,623,093	1,434,623,093	-
8. Mr. Yanyong Kurovat	-	-	-
9. Assoc. Prof. Prapanpong Vejjajiva	-	-	-
10. Mr. Chainarong Monthienvichienchai	1,500,000	1,500,000	-
11. Pol. Lt. General Prakard Satamarn	-	-	-
12. Gen. Choochat Kambhu Na Ayudhya	-	-	-
13. Mr. Preecha Prakobkit	-	-	-
14. Asst. Prof. Komol Wong-Apai	-	-	-
15. Mr. Sittichai Leeswadtrakul	334,946,800	342,546,800	(7,600,000)

Change in Shareholding of the Management

Name	Shareholding (shares) : Par value 1 Baht		
	As of 31 Dec. 2010	As of 31 Dec. 2009	Increase/(Decrease)
1. Mr. Nakun Sakunchotikarote	100,000	100,000	-
2. Mr. Wuttichai Sresthabutra	-	-	-
3. Mr. Oscar Miguel Ojeda Luna	-	-	-
4. Ms. Kannikar Soykeeree	-	-	-

Corporate Governance

Through the year 2010, the Board of Directors has perpetuated the intentions to enhance the Good Corporate Governance (CG) in accordance with the international standards. The Board of Directors therefore applied the CG Self Assessment for developing the Company's governance system under the CG established by The Stock Exchange of Thailand (SET). The purposes of this are for the most efficiency of management system including priority given to the shareholders' rights, equal treatment to shareholders, stakeholders' roles, data disclosure and transparency, and responsibilities of the Board of Directors. All those are for protecting the shareholders' interest.

In 2010, the Company's CG practices were divided into 5 parts, as follows:

Part 1 : Shareholders' Rights

1.1 CG on Shareholders' Right Protection Policy

• The Company's Board of Directors formulates the shareholders' right protection policy in writing in 2006. The policy emphasizes on allowing shareholders to have equal rights to have access to the Company's operational performance; and to participate in important decisions making, as well as protecting, promoting, encouraging but not to infringe shareholders' rights. The policies are as follows:

Policy on shareholders' right protection

1. The Board of Directors is responsible for protecting and respecting basic rights of the Company's shareholders, such as right to purchase, sell or transfer shares, right to the Company's profit sharing; right to obtain sufficient information about the Company's operation, right to attend the shareholders' meeting to appoint or terminate directors and independent auditors, allocate dividend payment, formulate or amend the provisions or Memorandum of Association, approve capital increase or decrease, and special items, etc.

2. The Board of Directors has duty to promote and support shareholders to exercise their rights in various areas at the Annual General Shareholders' Meeting, i.e. the right to propose meeting agenda in advance, the right to nominate persons as directors, the right to submit questions to the Company prior to the annual shareholders' meeting and the right to openly express opinions and ask questions at the shareholders' meeting, etc.

3. The Board of Directors shall not take any action which may violate or limit, or infringe the shareholders' right to study the Company's information that shall be disclosed according to the related requirements, and the right to attend shareholders' meeting; for example, not to distribute significant information document unexpectedly added, not to add agenda or amend the important data without advance notice to shareholders.

4. The Board of Directors has responsibility to facilitate the applying of the shareholders' rights such as giving the significant information updated via website, inviting the shareholders to visit factory, etc.

1.2 Allowing shareholders to study information prior to the shareholders' meeting

- The Board of Directors and the Management have implemented the policy relating to shareholders' right that covers more the rights than those required by law, especially the right to general and significant information. At the 2010 Annual General Meeting of the Shareholders on 29 April 2010, the Company provided the shareholders with sufficient opportunity to study the information for 30 days prior to the meeting date via the Company's website. Such information was also published in both Thai and English similar to the hard copy the Company submitted to shareholders.

- To deliver to the shareholders the meeting documents, the Company assigned the Thailand Securities Depository Company Limited, which is the Company's share registrar, to distribute the invitation to the Annual General Meeting of the Shareholders to all shareholders 14 days prior to the meeting date in order to provide shareholders with more time to study the information. Such delivery period of meeting documents was more than that specified by the applicable laws.

- During the meeting, the Company facilitated shareholders to exercise their rights to attend the meeting by implementing a barcode system for registration and vote counting, as well as providing the revenue stamps for proxy authorization. The label of registered shareholder was provided for access convenience while meeting, without time loss to recheck their documents.

- After the Annual General Meeting of the Shareholders for the year, the Company compiled the document, including agenda, meeting resolutions, voting results, questions and shareholders' opinion expressed at the meeting, so as to provide "The minutes of 2010 Annual General Meeting of the Shareholders" for publishing on the Company's website on 11 May 2010, within 14 days after the meeting which is in compliance with the regulations of SEC and SET.

- The Company provided the video of meeting atmosphere in soft file for publishing on the Company's website for shareholders who could not attend the meeting, apart from the minutes publicized in the channel of SET and the Company's website.

1.3 Preventing limitation of shareholders' rights to general information and information technology

- Through publishing all information on the Company's website prior to the Annual General Meeting of the Shareholders, the Company's Board of Directors supported and not to infringe the shareholders' rights exercise while the Company did not distribute additional document containing significant information during the meeting, or add or change meeting agenda or amend significant information without advance notice. There has been no complaint from shareholders on this case.

1.4 Facilitating shareholders to exercise rights

- The Company facilitated the shareholders and shareholders' proxy to register attending the meeting by implementing a barcode system for registration and vote counting as well as distributing voting ballots to the shareholders before meeting.

- The Company clearly stated shareholders' meeting rules and process in the meeting invitation. The moderator of the meeting also informed the attending shareholders of the rule and voting process at the meeting. The shareholders' meeting minutes also included a record that the meeting was informed of the rules and voting process.

- Moreover, the Company invited its shareholders to exercise their right to visit its factory. Regularly, the Company updates current information and data published on its website.

1.5 Providing time and opportunity for shareholders to express their opinions

- The Chairman of the Board of Directors asked the meeting at the end of each agenda whether the shareholders ask questions related to the meeting agenda or related to the Company, whereby they could openly express their opinion. Any questions related to the meeting agenda or the Company together with shareholders' opinion as well as the answers or clarification made by the Board of Directors or the Company's management, were entirely recorded in the minutes.

- The Company provided recording sound of the shareholders' meeting, and disclosed the significant matters arising during the meeting in the meeting minutes for reference in the future and enable shareholders who could not attend the meeting to follow up the meeting particulars.

1.6 Directors to attend the shareholders' meeting

- With fully respect of shareholders' right, 13 members of the Board of Directors attended Annual General Meeting of the Shareholders for the year 2010, and 2 members absented with advance notice one of whom was the Chairman of the Remuneration Committee, whereby the Committee member who attended the meeting was assigned to answer the shareholders' questions.

It could be concluded that the Company still developed organizing the 2010 Annual General Meeting of Shareholders as more strict than the CG guideline. Therefore the Company was assessed and ranked under Annual General Meeting of Shareholders: AGM Checklist organized by SEC, Thai Investors Association, and Listed Companies Association at the highest level of "Excellence" which is the level the Company has achieved in 4 consecutive years.

Part 2 : Equitable treatment towards shareholders

2.1 Policy on facilitating the minor shareholders

- The Board of Directors respected the equitable treatment to shareholders, and therefore set the facilitation policy for minor shareholders as follows:

Policy on facilitating the minor shareholders

1. The Board of Directors has the duties to respect the shareholders' rights and treat them equally.
2. The Board of Directors has the duties to encourage and support the shareholders to exercise their rights in any respects for the annual general meeting of shareholders such as proposing an issue in the agenda in advance, nominating a person to be selectively director in advance, and submitting questions prior to the meeting, etc.
3. The Board of Directors has the duties to assist the shareholders in any respects such as supporting the shareholders to study information before making decision. For the voting, the Company supports the shareholders to authorize proxies by offering alternatives at least 2 independent directors for the shareholders to authorize as their proxies.

2.2 Criteria to provide the minor shareholders the opportunity to propose in advance an issue in the agenda of the shareholders' meeting

• The Company allowed and assisted any shareholders to propose in advance an issue in the meeting agenda by providing the consideration criteria published via the data system of SET and the Company's website 3 months prior to the 2010 Annual General Meeting of Shareholders (from 15 October 2009 to 15 January 2010). The Board of Directors' Secretary was assigned to compile the meeting agenda and submitted to the independent directors for consideration. Basically, if the independent directors viewed such issue as proper, they shall propose to the Board of Directors in March 2010 so as for consideration to include in the agenda. In 2010, none of shareholders proposed in advance any issue in the agenda. The criteria of proposing the agenda of the 2010 Annual General Meeting of Shareholders were the followings:

1. The qualifications of shareholders entitled to propose issue for the annual general meeting of shareholders agenda shall be the shareholder holding not less than 100,000 shares, maybe a sole shareholder or combined shareholders, holding continuingly such shares not less than 12 months from the holding date to the proposal date.

2. An issue shall be proposed through the "Agenda Proposal Form for 2010 Annual General Meeting" with related complete and entire documents, to be submitted to the Company within 15 January 2010.

3. Criteria to reject the issues proposed:

(1) Issue proposed by the shareholder with incomplete qualification, incomplete or inaccurate documents, or not propose in time.

(2) Issue proposed has been normally specified by the laws to be considered in the shareholders' meeting, and the Company has already included it in the agenda everytime.

(3) Issue proposed is the Company's normal business and/or completely operated.

(4) Issue proposed is of the Company's authority, unless any case may cause damages significantly to shareholders as a whole.

(5) Issue having been proposed to the shareholders' meeting within the last 12 months and has been resolved with votes less than 10% of all voting rights and the matter of fact does not significantly change.

(6) Issue proposed is useless to the Company's operation and/or repeatedly proposed.

(7) Issue proposed conflicts with the Company's regulations, the laws, the regulations of supervisory agents, or related agencies, or the business purposes and ethics.

(8) Issue proposed is an external factor beyond the Company's control.

4. The Company's independent directors considered and screened the issues proposed by shareholders prior to submit to the Board of Directors. The Company would notify the consideration result after the meeting of the Board of Directors within March 2010. The approved issues would be included in the agenda attached to the invitation to 2010 Annual General Meeting of Shareholders.

2.3 Consider not to add an issue in the shareholders' meeting agenda

- The Board of Directors complied with the policy on monitoring the shareholders' rights. In shareholder meeting, the Board of Directors strictly conducted the meeting in line with the agenda and did not distribute any additional documents suddenly, or add any issue in the agenda or change any significant information without advance notice.

2.4 Criteria to provide the minor shareholders to nominate person for director position

- The Company allowed and assisted any shareholders to nominate in advance qualified person for director position by providing the consideration criteria published via the data system of SET and the Company's website 3 months prior to the 2010 Annual General Meeting of Shareholders (from 15 October 2009 to 15 January 2010). The Board of Directors' Secretary was assigned to compile the accompanied information of the nominee's qualifications as well as his/her consent, and then submitted to the Nomination Committee to consider the qualifications of person nominated by the minor shareholders in accordance with the Company's nomination procedure. Generally, if the Nomination Committee viewed such person nominated as proper, it shall propose to the Board of Directors in March 2010 to consider and propose to the general meeting of shareholders. In 2010, none of shareholders made nomination. The nomination criteria were the followings:

1. The qualifications of shareholders entitled to nominate director are to hold not less than 100,000 shares, maybe a sole shareholder or combined shareholders, holding continuingly such shares not less than 12 months from the holding date to the proposal date.

2. To nominate director the shareholders must complete these 3 forms:

- (1) Nomination Form to propose for consideration in the Annual General Meeting of Shareholders the person to be elected director.

- (2) Nominee Biography Form to propose a brief biography of the person proposed in the Annual General Meeting of Shareholders to be elected director.

- (3) Nominee Consent Form for election in the Annual General Meeting of Shareholders the person to be director.

With complete and entire related documents to be submitted to the Company within 15 January 2010.

3. The Nominee must be completely qualified according to the criteria of SEC and SET, the Public Company Act B.E. 2535, as well as the Company's regulations.

4. The Nomination Committee shall consider the nominee selection under the procedure of director selection to propose to the Board of Director and notify the consideration result after the meeting of the Board of Directors within March 2010.

2.5 Encouraging the shareholders to use the Proxy Form

- The Board of Directors encouraged the shareholders to use the Proxy Form in voting AGREE, NOT AGREE, ABSTAIN by providing the Proxy Form B. Besides, the Company provided the shareholders with the Proxy Form A (general Proxy Form) and the Proxy Form C (only for custodian) published on the website 30 days prior to the meeting date for download.

2.6 Encouraging the shareholders to vote

- The Board of Directors provided convenience for shareholders who could not attend the meeting but wish to exercise their voting rights by allowing them to assign proxy. The Company arranged 2 independent directors to attend the meeting and vote on behalf of the shareholders. The 2 independent directors are Mr. Vijit Supinit (Chairman of the Board of Directors and independent director) and Prof. Paichitr Roajanavanich (Chairman of the Audit Committee and independent director). Shareholders can appoint one of the two independent directors as their proxy. In this regard, 25 shareholders authorized the independent director to attend the meeting and vote on behalf of them in the 2010 Annual General Meeting of Shareholders.

2.7 Giving the shareholders opportunity to exercise right to appoint individual director

- The Board of Directors encouraged the shareholders to use their voting rights by providing and distributing voting ballots at the registration before meeting. Voting ballots were provided for each issue of the agenda, such as dividend payment approval, independent auditor remuneration, and individual director appointment. The vote counting was recorded in the minutes of each meeting for transparency and reference in case of objection later.

2.8 Measures to prevent directors, executives, and employees from using the internal information for own benefits

- The Board of Directors stipulated the measures to prevent the directors, executives, and employees from using the internal information for their or others' benefits in the Code of Conduct covering the use of internal information for stock trading, the conflict of interest, and the confidentiality of information. The measures were notified through the business ethics, training, and the Company' website. Besides, the secretary of the Board of Directors was assigned to notify the rules in data disclosure and monitor that the Board of Directors and executives report their asset possession including the disclosure of the conflict of interest and connected transaction between directors and executives.

Part 3 : Roles of stakeholders

3.1 Good Corporate Governance policy related to stakeholders

The Company respected and gave priority to all groups stakeholders' rights, not only particular to the applicable laws. In the past year, the Company newly considered indicating the stakeholders and established the additional policy and measure on monitoring the stakeholders in accordance with the Good Corporate Governance (CG) and CSR policy simultaneously adhered to conduct. The stakeholders of the Company shall be divided in 10 groups, as follows:

1. Employees and families
2. Customers and creditors
3. Shareholders
4. Community around factory
5. Government agencies
6. Suppliers and contractors

7. Financial institutes, analysts, and investors
8. Scholars
9. Educational institutions
10. Mass media

• The Board of Directors has stipulated policies and measures for stakeholders as follows:

1. Employees and families

Policy on treatment to employees and families

1) The Company shall appropriately reward employees by considering each employee's performance using measurable tools and with fairness. The rewards include monthly remuneration, overtime payment, bonus, production reward, life and health insurance, and provident fund, etc.

2) The Company shall promote and develop employees' knowledge and skills, for example, by providing trainings and seminars for executives and employees of all levels, etc.

3) The Company shall fairly and equally treat all employees, such as in performance appraisal, work record confidentiality, and employees' benefits, etc.

4) The Company shall respect employees' right and provide opportunities for example in terms of comment box or through Human Resources Department for employees to speak out in case they are not treated properly, etc.

5) The Company shall provide safe and hygienic work environment that enhance work efficiency and effectiveness. For example, the Company introduced the 5S practice and established a safety unit to control and take care of occupational health and safety for its employees, etc.

2. Customers and creditors

Policy on treatment to customers

1) The Company has the duty to build good relationship and long-term cooperation with its customers based on honesty, integrity, and trust.

2) The Company shall create the maximum customer satisfaction with proper responsibility and care, as well as giving priority to customers' problems and needs. All management and employees shall comply with these following measures:

- Committed to delivering quality products that meet the customers' requirement.
- Conduct the conditions agreed with the customers.
- Equally propose price and trade conditions to the same group of customers.
- Provide the customers with accurate information about the product quality and qualifications to ensure confidence and fairness to the Company's customers.
- Prepared to answer customers' questions, as well as to handle complaints, to give advice and follow up the progress of such matters informed by the customers through the channel;

Customer Relations
Tel. 0-2634-2222 ext. 1431-1435
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Policy on treatment to creditors

- 1) The Company shall build relationship and treat creditors with honesty, integrity, and trust.
- 2) The Company shall be responsible for and care as well as respect to all conditions agreed with the creditors.

3. Shareholders

Policy on treatment to shareholders

- 1) The Company has duty to protect and respect basic rights of shareholders which are the right to purchase or transfer shares; the right to receive the Company's profit share, the right to receive sufficient information about the Company's operation; the right to attend the shareholders' meeting to appoint or terminate directors, appoint external auditor, allocate dividend payment, set or amend provisions or Memorandum of Association, capital increase or decrease and approve special items.
- 2) The Company is responsible for promoting and encouraging shareholders to exercise their right at the Annual General Shareholders' Meeting, including the right to propose agenda in advance, the right to nominate directors in advance, the right to propose questions to the meeting prior to the meeting date, the right to express opinion and ask questions in the meeting, etc. through the channel;



- 3) The Company shall not take any action that may infringe or limit the shareholders' right.

4. Community around factory

Policy on treatment to community around factory

- 1) The Company and its employees shall embrace good citizenship qualities and make contribution to the society and community.
- 2) The Company is responsible for friendly dealing with people living near the plant, providing assistance and promoting quality of life, as well as solving problems caused by the Company's operation with fairness and equality.
- 3) The Company shall take care of and support the social activities, willingly cooperate with the government and organizations concerned and make a sacrifice for the common good.

5. Government agencies

Policy on treatment to government agencies

- 1) The Company is responsible for conducting in accordance with the applicable laws and regulations related, and encourages to conduct better and/or more than those specified by the applicable laws and regulations.
- 2) The Company encourages the government agencies' activities in appropriate occasions.

6. Suppliers and contractors

Policy on treatment to suppliers and contractors

- 1) The Company is responsible for building good relations with all suppliers and contractors.
- 2) The Company is responsible for giving the equal opportunity to all suppliers and contractors to present their products/services. Executives and employees concerned shall comply with these following measures;

- To deal with suppliers and contractors with honesty and equality.
- To consider and determine based on quality and conditions comparison, taking into account the Company's benefits both in long and short runs.
- Keep suppliers' and contractors' confidentiality. Bribe and commission from suppliers and contractors are prohibited. Not to disclose any data or proposal of any or all suppliers and contractors either indirectly or directly to other suppliers and contractors.

7. Financial institutes, analysts, and investors

Policy on treatment to financial institutes, analysts, and investors

- 1) The Company provides the analysts, investors and financial institutes with the operation data and tendency of overall operation result in the future properly and in accordance with the conditions of laws and Good Corporate Governance on data disclosure.
- 2) The Company facilitates providing the investment suggestion for investors via its website and;

Investor Relations (IR)
Mr. Wuttichai Sresthabutra
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8. Scholars

Policy on treatment to scholars

- 1) The Company provides the scholars with the operation process, including knowledge exchange for the academic and research benefits that will be useful for the country's industries as a whole.
- 2) The Company supports participating in the technology study applied to the work processes in production, as well as the study in the innovation for country development in regards of machineries, production procedures, etc.

9. Educational institutions

Policy on treatment to educational institutions

- 1) The Company will encourage the knowledge of production technology and process for educational institutions. The nearby schools and educational institutions around factory shall be given first priority.
- 2) The Company supports the activities of educational institutions properly.

10. Mass media

Policy on treatment to mass media

- 1) The Company shall respect the right and freedom of mass media to publicize the information and significant information.
- 2) The Company supports the activities of mass media properly.

3.2 Compensation measures to stakeholders in case of damage caused by infringement

- The Board of Directors has implemented measures on the use of internal information that directors, executives and the Company's employees shall follow;

Measures on preventing the use of internal information by directors, executives and employees

1) The Board of Directors' secretary is responsible for reporting to the Company's directors and the management the shareholdings of the directors and executives, spouses and children who have not yet reached manhood, and report the changes in shareholdings according to Section 59 and punishment in Section 275 of the Securities and Exchange Act B.E. 2535.

2) The Board of Directors shall advise directors, executives and employees who have access to significant internal information to avoid trading the Company's shares one month before and one week after the distribution to public such significant information and financial statements which affect changes in share prices. This is to avoid possible frauds under the Securities and Exchange Act.

- The Company has set the measures to prevent directors and the Company's executives from using internal information for own or others' benefits. The measures are stated in the Company's code of ethics for the Management and employees as follows:

Measures on preventing conflict of interest of directors, executives and employees

1) The Company's management and employees shall not take any action for personal benefits or to embezzle assets of the Company or customers.

2) The directors and employees shall not be engaged in or have own business or activities that may cause conflict of interest with the responsibilities of the directors and employees.

3) In case that the position and responsibilities of the executives and employees may directly or indirectly provide benefits to themselves or members of their families (spouse, father, mother, children, relatives) or acquaintance, the directors and employees shall not be involved in decision making and immediately report to their immediate supervisors.

4) The Company shall avoid assigning the directors or employees to perform a task that may lead to a situation that causes conflict of interest to the Company or the Company's customers.

5) In case the Company's directors and employees are involved in external activities or hold positions in other organizations, such as being directors, advisors, representatives or employees, such condition must not cause direct or indirect conflict of interest to the Company and its customers or affect the persons' ability to perform their duty.

6) Directors and employees are not allowed to work for or hold positions in other organizations which operate similar business or compete with or may have conflict of interest with the Company.

- The Company's Board of Directors consistently received information about possible conflict of interest of directors, executives and employees in the Company's transactions. The Internal Audit Department is responsible for reporting information related to conflict of interest to the Audit Committee

for acknowledgement and consideration and the Audit Committee consistently monitor, review and report the information to the Board of Directors for acknowledgement and consideration. In 2010, there was no report that the Company's directors, executives and employees having conflict of interest that caused damage to the Company.

- The Company has stipulated the following measures on compensating stakeholders in case of damage due to infringement;

1. Employees and families

Measures to prevent damage from infringement upon employees and families

The Company has arranged for sufficient remuneration and benefits for its employees and strictly followed the policy on treatment towards employees. A comment box is provided for employees affected by unsatisfied work conditions as a channel to send complaints and/or recommendation.

In the past year, there was no employees' complaint related to infringement.

2. Customers and creditors

Measures to prevent damage from infringement upon customers and creditors

The Company has taken good care of its customers in accordance with customer service policy. Customer Service unit was set up as a channel for customers to file complaint in case they have problems and need help.

So as for preventing a possible problem of any damages from infringement, the management shall consider the qualifications of all customers and creditors together with their faithfulness and reliability before transaction agreed.

In the past year, there was no customers' and creditors' complaint on infringement.

3. Shareholders

Measures to prevent damage from infringement upon shareholders

Today, the Company implements measures in protecting the basic rights of shareholders, including the right to receive information, and the right to attend shareholders' meeting, and also encouraging shareholders to exercise their rights better than those required by law.

The Company shall evaluate and monitor the results of the implemented measures in order to prevent possible damages from shareholders' rights infringement. The evaluation shall be done internally through departments which are responsible for shareholders' rights protection, and externally through the AGM Checklist program organized on annual basis by the SEC, Thai Investors Association and the Association of Listed Companies.

In the past year, there was no shareholders' complaints on neither right infringement nor right limitation.

4. Community around factory

Measures to prevent damage from infringement upon community around factory

The Company has implemented measures to prevent damage caused by infringement upon community and society around factory by strictly conforming to the social and community care policy, and also creating good relationship with nearby communities as well as providing good cooperation and support to promote their quality of life.

Therefore, the Company has never received any complaint from surrounding communities about damage caused by infringement upon their rights. In case such event happens, the Company has already prepared measures to effectively handle the case. The Company's personnel department at plant is responsible for receiving complaint and reporting to the management for further consideration to carry on.

5. Government agencies

Measures to prevent damage from infringement upon government agencies

The Company has implemented measures to prevent damage caused by violating the laws and regulations. The Company's law department performs the duties to monitor and follow up regularly the Company's units in compliance with the applicable laws.

6. Suppliers and contractors

Measures to prevent damage from infringement upon suppliers and contractors

The Company has implemented measures to prevent damage caused by infringement upon suppliers and contractors. The policy of building good relationship has been applied to all suppliers and contractors, including that all of them shall be equally treated.

Therefore, there is never such infringement.

7. Financial institutes, analysts, and investors

Measures to prevent damage from infringement upon financial institutes, analysts, and investors

The Company gives the analysts and investors the opportunity to be acknowledged and obtain the operation data and operation result tendency in the future regularly for at least once a quarter or not less than 4 times a year. The investment suggestion has been also provided and published through various ways such as Investor Relations (IR) or one on group meeting or the Company's website.

Therefore, the Company has no complaint arising out of the analysts, investors, and financial institutes not obtaining the data.

8. Scholars

Measures to prevent damage from infringement upon scholars

The Company gives the scholars the opportunity to visit the factory and observe the operation of production for academic benefits, as well as regularly collaborate with the scholars to jointly study and improve the production technology.

Therefore, there is never damage caused by such infringement.

9. Educational institutions

Measures to prevent damage from infringement upon educational institutions

The Company has collaborated with the educational institutions to visit its factory and give a lecture regarding the production technology and process, as well as regularly supports their activities.

Therefore, there is never damage caused by such infringement.

10. Mass media

Measures to prevent damage from infringement upon mass media

The Company has complied with the policy of respecting the right and freedom of mass media in publishing the news and information of the Company, and regularly supports their activities.

Therefore, there is never damage caused by such infringement.

3.3 Stakeholders' participation mechanism

- The Board of Directors has set the mechanism for stakeholders' participation as follows;

1. The Company provided a box to receive comment, complaints or opinion at the front of the office and the plant, as well as e-mail address to the top level executives directly.

2. The Company provided public relations activities, such as public relations outside the Company, operated by security section and HR in order to provide the communities with understanding towards its production process, as well as to obtain their comments and opinions.

3. The Company provided opportunities for investors to express their opinions to the Board of Directors through the Company's website, under Investors Relations (IR) section.

4. The Company provided its representatives to visit the communities around factory every year.

3.4 Mechanism for protection for those who report frauds

• The Board of Directors provided various channels for report on frauds, unethical or illegal practice related to financial statements and internal control system through;

Internal Audit
Ms. Sophit Changaroon
Tel. 0-2634-2222 ext. 1241
e-mail : info@gsteel.com

• The Board of Directors ensured that the persons who report frauds would be well protected by keeping all information of the informer highly confidential.

• The Board of Directors has stipulated an effective process to handle the reports of frauds. Initially, the Internal Audit Department will make a summary and submit it to the Audit Committee for further investigation, and then report to the Board of Directors in case the matters are true and may have impact on the Company's operation.

Part 4 : Information disclosure and transparency

4.1 Results of the execution of good corporate governance policy

• Last year, the Company accurately, adequately, timely and transparently disclosed the financial and non-financial information required by the SEC and SET through SET's online system and the Company's website. The Company has never been punished by the SEC or SET for not disclosing the information as required. Also, the Company regularly appraises the efficiency of information disclosure process and strictly follows the regulations.

• Moreover, the Company published and regularly updated all significant information submitted to the SET and other current information on its website as well as provided all shareholders and stakeholders with such information both in Thai and English so as for equal access to the information.

4.2 Remuneration for the directors and the management

• The Remuneration Committee formulated the policy on remuneration for directors, Chief Executive Officer and top executives as follows;

Policy on remuneration for directors, Chief Executive Officer and top executives

1. Remuneration of the Company's directors, Chief Executive Officer and top executives shall be set in accordance with their duty, scope of responsibility, fairness and attractiveness, which should be

compared to those for directors in other listed companies in the same industry and similar size, including the Company's performance, business surroundings, and overall economic conditions.

2. The Remuneration Committee shall be responsible for initial consideration and propose for the approval of the Board of Directors and the Annual General Meeting of the Shareholders the maximum remuneration of the year, position remuneration and meeting allowance.

3. The Remuneration Committee shall comply with the resolution of the Annual General Meeting of the Shareholders on the remuneration budget and details which are also disclosed in the annual report. The remuneration that the directors received from positions in other companies, such as consultancy fee, and directorship in the Company's subsidiaries shall also be disclosed.

4. Any director who currently holds management position in the Company and receives the remuneration in the forms of monthly salary will not be entitled to receive the remuneration.

- The Remuneration Committee proposed to the Board of Directors and the 2010 Annual General Meeting of the Shareholders to approve a total of no more than 8,000,000 Baht remunerations for the non-executive and non-employee directors as shown in Remuneration for Directors and the Management Chapter. Any director being the subsidiary's director shall not be entitled to take any remuneration from such subsidiary.

4.3 Board of Directors' Report

The Company provided the Board of Directors' responsibility report on financial statements together with the independent auditor's report, as published in the annual report under the Board of Directors' Responsibility towards financial statements.

4.4 Roles and duties of the Board of Directors and Committees

In 2010, the Board of Directors managed the Company in compliance with legal framework, the Company's objectives, rules and regulations, as well as the resolution of the shareholders' meeting with honesty and discretion and for the best benefits of the shareholders. Besides, the Board of Directors appointed committees to assist the Board of Directors in studying details, in monitoring and supervising the Company's operations, as well as screening assigned tasks. Committees which have different roles and responsibilities are as follows:

Board of Directors

In 2010, the Board of Directors has the total meetings of 14 times. All meetings were arranged strictly in compliance with the Company's Article of Association and the Public Limited Company Act B.E. 2535. Meeting agenda and related information were distributed to the directors 10 days prior to the meeting. Also, adequate and equal opportunities for the directors to discuss significant issues are provided. The Board of Directors' secretary and legal advisor attended and recorded the meeting, questions, and recommendations of the directors in order to allow directors and concerned parties to study and audit.

In the 2010 Annual General Meeting of the Shareholders, also the Extraordinary General Meeting of the Shareholders No. 1/2010, the management in finance, independent auditors, and legal advisors attended. Details of the attendance in all the meetings above are as follows;

No.	Board of Directors	Attendance / No. of meetings	2010 AGM	EGM No. 1/2010
1.	Mr. Vijit Supinit	13 / 14	✓	✓
2.	Dr. Somsak Leeswadtrakul	13 / 14	✓	✓
3.	Mr. Ryuzo Ogino	12 / 14	✓	✓
4.	Mr. Ahab G. Garas*	10 / 13	✓	✓
5.	Prof. Paichitr Roajanavanich	14 / 14	✓	✓
6.	Mr. Ariel Seth Levy*	12 / 13	✓	✓
7.	Khunying Patama Leeswadtrakul	8 / 14	-	-
8.	Mr. Yanyong Kurovat	13 / 14	✓	✓
9.	Assoc. Prof. Prapanpong Vejjajiva	12 / 14	-	-
10.	Mr. Chainarong Monthienvichienchai	9 / 14	✓	✓
11.	Pol. Lt. General Prakard Satamarn	12 / 14	✓	-
12.	Gen. Choochat Kambhu Na Ayudhya	11 / 14	✓	-
13.	Mr. Preecha Prakobkit	9 / 14	✓	✓
14.	Asst. Prof. Komol Wong-Apai	14 / 14	✓	✓
15.	Mr. Sittichai Leeswadtrakul	10 / 14	✓	✓

Note : * New Directors in 2010.

Executive Committee

In the past year, the Executive Committee performed its duties in managing the Company's operations in reviewing the Policies, Business Plan, Investment Plan, and 2010 Annual Budget Plan, to submit to the Board of Directors for approval. The Executive Committee would be monitoring, supervising and controlling the execution to achieve the goals of such plans approved or assigned by the Board of Directors, and reporting the quarterly and annual business performances to the Board of Directors.

In 2010, the Executive Committee convened 2 times to follow up the Company's overall business operation and submitted the result including other significant issues to the Board of Director for consideration. The meeting attendance of each member of the Executive Committee is as follows:

No.	Executive Directors	Attendance / No. of meetings
1.	Mr. Ryuzo Ogino	2 / 2
2.	Mr. Ahab G. Garas	2 / 2
3.	Mr. Ariel Seth Levy	1 / 2
4.	Khunying Patama Leeswadtrakul	1 / 2
5.	Mr. Yanyong Kurovat	2 / 2
6.	Pol. Lt. General Prakard Satamarn	2 / 2
7.	Mr. Sittichai Leeswadtrakul	2 / 2

Audit Committee

In 2010, the Audit Committee performed its duties in reviewing the financial statements of the Company and its subsidiaries, auditing the internal control report submitted every month by the Internal Audit Department, as well as meeting with independent auditors to discuss various matters. The Audit Committee Chairman not only reported the Board of Directors the summary of significant issues for acknowledgment and consideration by including such issues in the meeting agenda, but also provided its opinion in the Audit Committee Report as published in the annual report.

In 2010, the Audit Committee convened 12 times, the meeting attendance of each member of the Audit Committee is as follows;

No.	Audit Committee	Attendance / No. of meetings
1.	Prof. Paichitr Rojanavanich	12 / 12
2.	Assoc. Prof. Prapanpong Vejjajiva	11 / 12
3.	Mr. Preecha Prakobkit	10 / 12

Nomination Committee

In 2010, the Nomination Committee performed its duties in nominating 2 persons to be elected as directors who resigned on 3 February 2010, General Singha Saovapap and Prof. Dr. Uthit Siriwan. In this regard, Mr. Ahab G. Garas and Mr. Ariel Seth Levy were proposed to the Board of Directors by the Nomination Committee to be elected as the Company's directors, i.e. Mr. Ahab G. Garas replacing General Singha Saovapap and Mr. Ariel Seth Levy replacing Prof. Dr. Uthit Siriwan. It was considered by the Nomination Committee that Mr. Ahab G. Garas is a capable American having qualifications and knowledge in business administration in large steel industry business operation, also owning expertise and experience in capital restructuring as well as business administration for those affected by economic crisis, while Mr. Ariel Seth Levy is an American executive with capability and knowledge as well as specialization in finance and debt restructuring. Also, the qualifications of both are conforming to Clause 68 of the Public Limited Company Act B.E. 2535, and related announcement of the SEC, as well as the Company's rules and regulations.

Since the Company has had a review in capital restructuring and creating its brand, Dr. Somsak Leeswadtrakul resigned from the position of Chief Executive Officer effective as from 3 February 2010 and the Nomination Committee proposed Mr. Ahab G. Garas and Mr. Ryuzo Ogino to the Board of Directors to replace the vacant position of Chief Executive Officer where Mr. Ahab G. Garas and Mr. Ryuzo Ogino are well qualified and have experience in steel industry administration, also having sufficient time in conducting the Company's business administration efficiently.

For the 5 directors retiring at the end of their terms in the year 2010, the Nomination Committee had considered their qualifications, knowledge, capability, experience and good performance in the Company's business, and ethics, to be proposed to the Board of Directors' meeting to reelect the 5

retiring directors to serve for another term, namely; Prof. Paichitr Roajanavanich, Assoc. Prof. Prapanpong Vejajiva, Pol. Lt. General Prakard Satamarn, General Choochat Kambhu Na Ayudhya, and Mr. Preecha Prakobkit, and approved by the 2010 Annual General Meeting of the Shareholders.

In 2010, the Nomination Committee convened twice and all committee members attended such meetings in unison.

Remuneration Committee

The Remuneration Committee performed its duties in setting remunerations for directors who are not the Company's executives nor employees for the year 2010 by considering their duties, scope of responsibilities, compared with the remunerations paid to directors of the listed companies in SET of the same size and industry, as well as considering the Company's business profits, business surroundings and the overall economy. The remunerations mentioned were submitted to the Board of Directors and the 2010 Annual General Meeting of the Shareholders for approval.

In 2010, the Remuneration Committee met 1 time and all committee members attended such meeting in unison.

Risk Management Committee

In 2010, the Company appointed the Risk Management Committee to set appropriate risk management policy that applies to the entire Company, also to review and appraise the efficiency of the Company's risk management practice, as well as periodically report the results to the Board of Directors for acknowledgement and consideration.

In 2010, the Risk Management Committee met 2 time and the committee members' attendance is as follows:

No.	Risk Management Committee Members	Attendance / No. of meetings
1.	Mr. Yanyong Kurovat	2 / 2
2.	Mr. Ryuzo Ogino	1 / 2
3.	Mr. Sittichai Leeswadtrakul	0 / 2
4.	Mr. Nakun Sakunchotikarote	1 / 2
5.	Ms. Kannikar Soykeeree	2 / 2
6.	Mr. Nopakao Srisuvananda	2 / 2
7.	Ms. Methikan Chutipongsiri	2 / 2
8.	Ms. Sophit Changaroon	1 / 2
9.	Mr. Warawut Suwannasorn	1 / 2
10.	Mr. Teerawat Suttivijit	0 / 2
11.	Ms. Amonrut Intatison	1 / 2
12.	Mr. Narongchai Assawapusitkul	0 / 2
13.	Ms. Panalai Heruncharakul	2 / 2

4.5 Relationship with investors

- The Company has a policy on significant information, including general information, to be disclosed properly, completely, reliably, sufficiently, timely, and transparently, including general information that may affect the Company's share price, assigning the Company's representative to communicate with the institute and individual investors as well as analysts and concerned government agencies. The Company's website (www.gsteel.com) is used as a channel to distribute all information, such as the information regarding the Company, business, financial information, news that may affect investment decision, reports submitted to the SET, the Company's activities, and shareholders' meeting details, in order to enable shareholders to keep updated of the Company's movement and information.

- The Company prepared an investor relations plan in brief which can be revised depending on conditions and suitability, as follows:

1. Organize the press conference regularly at least once a quarter in order to announce the quarterly business performance.

2. Organize a quarterly meeting for analysts. The Company will also organize a meeting between its Investor Relations and analysts occasionally in case the analysts need more information on additional matters.

3. The Company provided an opportunity for its investors to visit the factory apart from inviting them to talk with the Management.

4. Arrange the roadshows overseas at least once a year.

5. Participate in exhibitions held by SET, Brokers' Association and other organizations to provide information to investors.

Part 5 : The Board of Directors' Responsibilities

5.1 Policy on Good Corporate Governance

- The Company's Board of Directors is committed to directing the business in compliance with the good corporate governance which is beneficial and important to promote efficiency and transparency of the Company's operation, helping increase competitive advantages, and add long-term value to the shareholders. The Board of Directors and the Management have formulated good corporate governance practice and made them the Company's policy in writing. The Board of Directors approved the policy the essences of which are as follows:

1. Respecting shareholders' right including allowing them to propose agenda in advance for the shareholders' meeting, and nominating in advance persons to be elected as directors, etc., the Company shall not take any action which may infringe or limit the rights of shareholders.

2. Equitably and fairly treating all shareholders, investors, stakeholders and related parties.

3. Accurately, adequately, equitably, and timely disclosing information to shareholders, investors, stakeholders and related parties through appropriate channels, including website, to enable shareholders and related parties to have easy access to the information.

4. Performing its duties and responsibility in supervising and directing the operations of the Company with integrity, ethics and prudence to achieve the Company's goal and for the best benefits of the Company and its shareholders, as well as preventing conflict of interest.

5. Managing the Company with transparency under sufficient internal control and audit system.

6. Controlling and managing risks at the appropriate level.

7. Operating the Company with integrity and in compliance with laws and business ethics.

5.2 Structure of the Board of Directors

- The Board of Directors comprises 15 members that have different qualifications, skills, experience and specialization being benefit to the Company, and ability to contribute their time and efforts to perform a duty to reinforce the Board of Directors. The Board of Directors shall select and appoint the committees in order to share its works for specific issues, as specified in the annual report under Management Structure.

- The Board of Directors gives priority to transparency and therefore stipulated that the Board of Directors Chairman is an independent director and shall not be the same person as the Chief Executive Officer or President. The Board of Directors approved the definition of independent directors which is stricter than that required by SEC, for example, an independent director shall hold the shares not exceeding 0.5% in the Company.

- The Board of Directors stipulated a formal and transparent process of director nomination which is free from influence from shareholders who have controlling authority. The Nomination Committee shall nominate directors by considering education, capability, experience, etc. in accordance with the scope of responsibilities of the Board of Directors or committees. The list of nominees will be proposed to the Board of Directors for consideration and appointment.

- The Board of Directors disclosed the list of the directors and committee members in terms of names, positions, age, education, shareholdings, work experience and relationship with the Company's executives in various channels, including the annual report and the Company's website.

5.3 Leadership and vision

- The Board of Directors has strong leadership, vision and independence in making decision for the best benefit of the Company and its shareholders. Roles and responsibilities of the Board of Directors and the Management are clearly separated, i.e. the Management is responsible for compiling necessary information for the Board of Directors' consideration.

- With a goal to ensure stable business with long-term sustainability and success, the Board of Director, in cooperation with the Management in reviewing and ensuring that vision and mission best address the changing environment, the business goals, business plan and budget are prepared by taking into consideration the maximum added value and long-term stability of the Company and its shareholders. The Board of Directors also directs the business and ensure that the business operation is efficiently executed by the Management.

- The Board of Directors encourages good corporate governance within the organization and formulates good corporate governance practice, code of ethics, measures and approval procedure of connected transactions between the Company and related parties or persons who may have conflict of

interest, as well as clearly separates the authority of shareholders from that of the Board of Directors, also that between the Board of Directors and the executives and other committees, in order to balance the power, and each other shall be independently examined.

5.4 Conflict of interest

- The Board of Directors shall consider connected transactions that may cause conflict of interest between shareholders, directors and the Management, with best prudence, integrity, reasonableness and independence within good business ethic framework. It also discloses complete information for the best benefit of the Company. The Board of Directors shall strictly conform to the criteria and procedures or regulations set by SET whereby the Audit Committee shall provide information about the necessity and appropriateness of such transaction.

- The Board of Directors has formulated measures and approval procedure of connected transactions between the Company and its subsidiaries or persons who may have conflict of interest. The persons who may have direct or indirect conflict of interest shall not be allowed to make decision on the matter. The Audit Committee is required to participate in the consideration and provide opinions on the necessity and reasonableness of the items proposed for the best benefits of the Company. The connected transactions are also required to be disclosed in the Notes to the Financial Statements prepared by using the generally accepted accounting principles published in the Annual Report.

5.5 Business ethics

- The Board of Directors has prepared the Management and Employees' Code of Conduct for the Company's Management and employees to use as guideline in performing their duties and to strictly and consistently implement in terms of business operations, equitably with fair treatment towards stakeholders, including the matters related to conflict of interest, information confidentiality and possible fraudulent use of information, bribes, and gifts. In this regard of the Code of Conduct, the Board of Directors assigned the Internal Audit Department to monitor and audit the implementation.

- The Board of Directors itself shall monitor and ensure that the Company's business operation, directors' ability to perform their duties, the Management's operation, and employees' work are within ethical framework in addition to the Company's regulations and related laws.

- The Board of Directors has also formulated a policy requiring directors, executives and employees who are involved with inside information to avoid or not trade the Company's shares 1 month before the significant information, such as financial information which may affect the Company's share prices, is disclosed to the public.

5.6 Power balance of non-executive directors

- The structure of the Company's Board of Directors comprises the Chairman who is an independent director, and non-executive directors totaling 8 persons, together with 7 executive directors forming as 15 members of the Board of Directors, being non-executive 8 persons (7 persons are independent directors) and 7 executive directors. The balance of power by independent directors is 47% which is nearly half of the whole Board of Directors.

5.7 Integration or segregation of positions for managerial balance of power

- The Board of Directors clearly divides scopes of roles and responsibilities among the Board of Directors, Executive Committee, Audit Committee, Nomination Committee, Remuneration Committee and Risk Management Committee, as well as the Chief Executive Officer with a clear stipulation that the Chairman of the Board of Directors shall not be the same person as the Chairman of the Executive Committee or Chief Executive Officer and shall not have any relations with the Management, in order to prevent any executive to have unlimited power, and the managerial balance can be checked.

5.8 Committees

- The Board of Directors appointed committees to assist it in monitoring and controlling the operations, as well as screening the assigned tasks. Roles, authorities, duties and responsibilities are clearly set. At present, there are 5 committees, each with different roles and scopes of responsibility, as specified in the Annual Report under Management Structure.

5.9 Roles and responsibilities of the Board of Directors

- In the past year, the Board of Directors reviewed and approved significant operational matters and directed the Management to efficiently implement the policies and plans, including to effectively manage the budget.

- Further to the Board of Directors having stipulated and approved the written good corporate governance policy, a review is to be made at least once a year.

- The Board of Directors provided and distributed the Code of Conduct in writing to the new directors, executives and employees; and reviewed other ethics for the existing directors, executives and employees to understand ethical standards applied to its business operation. The Board of Directors assigned the Internal Audit Department to closely monitor the execution of such Code of Conduct.

- The Board of Directors, having carefully studied and considered conflict of interest and connected transactions which may cause conflict of interest to the Company taking into account the shareholders' best benefits, found none of such items.

- The Board of Directors provided a financial statement control and regulations implementation. The Internal Audit Department independently performed its duty in monitoring the implementation of these regulations as well as the control measures. It is at least once a year to review such control.

5.10 The Board of Directors' meeting

- The Board of Directors convened at least 4 times a year and arranged the meeting in accordance with the Company's rules, the Public Limited Company Act B.E. 2535, and SET's regulations. The Chairman of the Board of Directors, in the capacity of the meeting chairman, would promote prudence in any consideration; provide sufficient time for the Management to present significant information and for directors to discuss the matter. Meeting minutes for every meeting were made for future reference and checking. It is the duty of the Board members to attend every meeting, except for a certain unavoidable case.

- Before the Board of Directors' each meeting in 2010, in late 2009 the Board of Directors' secretary prepared meeting agenda for whole year for the Board of Directors to be able to schedule their time for the meetings.

- In considering the number of meetings, the Board of Directors considered the duty and responsibility of the Board of Directors. The Board of Directors' secretary shall prepare the whole year meeting agenda and matters to be considered in each meeting in order to provide sufficient detailed information for the Board of Directors. For example, in the March meeting, the Board of Directors shall approve the annual financial statements, and schedule the annual general shareholders' meeting as well as set the date of the closing of the Company's registration book to suspend the share transfer, while the meetings in May, August and December are scheduled for reviewing and approving financial statements for the first, second and third quarters, then the December meeting is organized to consider budget for the following year.

- In each meeting, the Board of Directors' secretary provided the agenda and related information and distributed them to the directors for average 10 days prior to the meeting.

- The meetings were strictly held in compliance with the Company's rules and regulations, and the Public Limited Company Act B.E. 2535. The directors were given opportunity to discuss carefully the important problems. The Board of Directors' secretary and legal advisors attended the meeting and prepared the recording, so as for the minutes of the meeting, which included also the directors' questions and recommendation in the meeting for future reference and cross-checking.

- In each meeting, the Chairman of the Board of Directors would conduct the meeting to last for 1-2 hours, which was sufficient for the Management to present the matters for consideration and for the directors to carefully and equally discuss the important issues. The Chairman of the Board of Directors encouraged the attending directors to use their best consideration. The Chairman also asked whether there was any question or other opinion on each issue of the agenda in every meeting.

5.11 Self Assessment of the Board of Directors

- The Board of Directors' secretary provided the "CG Self Assessment", and submitted to individual directors for considering his/her achievement and for resolving problems, as well as for the work efficiency improvement.

5.12 Remuneration for directors and executives

- The Remuneration Committee was appointed by the Board of Directors. In 2010, the committee reviewed the directors' remuneration as proper and was in accordance with the present circumstances, and therefore to be unchanged from that of the previous year.

5.13 Directors and executives development

- The Board of Directors encouraged and provided the training courses to develop and educate the Company's directors and members of committees so as for the continuous improvement in performing their tasks. At present, 11 out of all 15 directors have been trained on Director Accreditation Program (DAP) and/or Director Certification Program (DCP) from Thailand Institute of Directors (IOD). For the rest 4 directors (3 of whom are foreigners), the Company will provide them with Director Accreditation Program (DAP) in English later.

- The secretary to the Board of Directors prepared Directors' guidebook with criteria on information disclosure, profile, shareholdings, changes in shareholding of directors, etc. and distributed to new directors. The secretary shall also invite new directors to visit the Company's plant to introduce to them the hot rolled coil business as well as the Company's business operations.

- The Board of Directors has stipulated that the Chief Executive Officer and Presidents prepare a regular report for the Board of Directors to update on the development and succession plans in case they could not perform their duties.

- The Board of Directors, in parallel to the succession plan, implemented the executive development plan by assigning the Chief Executive Officer to report progress of executive development plan undertaken during the year.

Factors and Risk Management

Risk factors to the Company's business that may materially affect its rates of return while its risk prevention guidelines can be summarized as follows:

1. Production risk

1.1 Risk from volatility of costs of raw material

Major raw materials are steel scraps and pig iron the prices of which are cycle-based, as a result to be upturn and downturn volatile according to the cycle. The fact that the Company has no risk prevention tool against the cost of its main materials could mean a problem during the downturn. This is because the Company may have huge stocks of raw materials at high price, which also means high cost and may affect its operation.

However, prices of steel scraps and pig iron normally vary according to world market mechanism based on demands for hot-rolled steel the upturn and downturn of the prices are in the same way. In addition, the Company also signs an agreement to buy raw materials as a consignment. This means that payment for raw materials will be made upon on actual usage at the price of the purchasing date. Yet, the Company still has an interest burden of any outstanding that remains unpaid from the day the material is shipped to the day the Company makes such payment for steel scraps or pig iron. However, the Company can settle a sales price with its customers using the cost of its main raw material as a basis or its costs. This way, the Company can be less exposed to the pricing volatility of its main raw materials.

1.2 Risk from heavy dependence on very few raw material suppliers

To produce hot rolled steel sheets of the Company, the major raw materials used are scrap and pig iron which, in this respect, the Company has to import all pig iron from overseas, but for scraps, the Company mostly imports at the rate of 75% since there is a limited supply of steel scraps locally, which may cause a problem in procuring the raw materials and affect the Company's operations.

Nevertheless, most manufacturers throughout the world will have business dealings with less number of the sellers in order to continually control quality, as well as terms and conditions. Over the past period, the Company placed the orders for the purchases of the main raw materials from trade partner companies which are large multinational companies of strong status and having been in this business for a long time. In addition, the Company has established relations with other raw material distributing agents both in the country and overseas which are ready to do business and support the Company whereby the Company has the policy to divide the quantity of raw material purchase orders the minor of which are to these other agents in order to maintain the business relations with them. Presently, there are new agents both in the country and overseas constantly coming in for doing business with the Company resulting in the Company to have more bargaining power both on the aspects of price and better terms of payment, etc.

2. Market and distribution risk

Risk from product price volatility during the business downturn

Since the Company's products are used by related industries such as construction, the characteristics of which include upturn and downturn cycles, therefore, demands and prices of the Company's products will vary accordingly. Since this may affect the Company's future profit especially during the downturn, pricing volatility may affect its revenues in different periods and this could negatively affect its business, financial conditions, and operation results in future.

Besides, the Company's hot-rolled coil can be used in several other industries. For example, cold-rolled steel which can be used in automobile industry while galvanized steel and other product types are widely used in various industries. Yet, slowdown in some industries may not largely affect demands and prices of the Company's products. With the Company's production efficiency and competitiveness, it expects that during the downturn where these demands are less, it will be able to produce for exports more. At present, it has already developed its export markets.

Meanwhile, volatility of the product prices will not largely affect the Company's operation since both the costs of raw materials and products are varied in the same way, as a result, minimizing the negative effect upon the Company's profits.

3. Financial risk

3.1 Risk on currency exchange fluctuation

The Company is exposed to a risk on currency exchange fluctuation since most of its incomes are in Thai Baht while it needs to pay for most of the raw materials ordered from overseas. In addition, it has issued US\$ 170 million worth of debentures during 2005-2006 to the investors overseas. The debentures were matured in 2010 with an interest rate of 10.5%, including the subsidiary's loan of US\$ 100 million. This so far has resulted in a lot of expenses in US\$ currency and it does not have any hedging agreement with commercial banks, either. Therefore, exchange rate volatility may cause high cost, which may lessen its ability to generate profit and expose it to a liquidity problem, which will eventually affect its business, financial condition, and operation results in future.

Yet, although the Company has not had any hedging agreement with commercial banks, it believes that an impact from an exchange risk will be minimal since the stipulation of its selling prices has been referred to world market which involve US\$ currency the volatility of which directly varies with the stipulation of its selling prices.

3.2 Risk on liquidity and continuous operations

Since the second half of 2008, the operation results of the Company and its group were adversely affected by the world economic crisis causing the Company and its group an operating loss for the year ended 31 December 2010 as well as a liquidity problem. The Company and its group need to generate sufficient operating cash flows so as for working capital and being able to pay the operating debts including those burden under the rehabilitation plan.

However, on 2 March 2011 the Company signed an investment agreement with ArcelorMittal Netherlands B.V. (“AM”) where the Company will increase its registered capital and issue ordinary shares to AM investing Baht 7,509 million resulting in a 40% shareholding in the Company. AM will also enter into giving a credit facility agreement with the Company and G J Steel for US\$ 500 to use as working capital, capital expenditure, and for other purposes. The transactions performed not only depend on reducing the existing debt burden of the Company and its subsidiary, but also depend on other conditions as well as those approval from the relevant government agencies and the shareholders of the Company and its subsidiaries. The Company is confident that the conditions for AM’s investment can be met and that the investment will be successfully completed by 2011 and can develop the potential in its operation and financial status, as well as its and its group’s business operations.

4. Environmental and personnel risk

4.1 Risk from pollution from production

The Company manufactures hot-rolled coil which involves melting, casting and rolling process. The industry causes pollution in one way or another ranging from dust in the air, heavy metal in water going through the production process. Other pollutions include noise that may be louder than the standard. The Company however has a pollution control system that meets environmental rules and regulations. Still, it may expose to a risk from pollution that may threaten the environment or that the Company may not yet be able to find. This may raise its cost from improving the degraded environment or it may have to step up its control and checking system to be in line with tougher rules and regulations in the future. This could lead to higher expenses as well as expenses from legal action if the Company cannot reduce or resolve a pollution problem and this may negatively affect its business, financial conditions and operation results in future.

However, since 2007, the Company has managed to pass the environmental assurance standards, resulting in its business being certified OHSAS/TIS 18001 from TUV NORD. In addition, it also hired an environmental specialist company to audit every 6 months the result of which is presented to the Ministry of Industry, on an ongoing basis. It believes that it does not have any problem in this matter.

4.2 Risk from doing business that may not be safe to staff

The Company’s business is a heavy industry and staff may be exposed to danger from its production process where steel is melted and rolled. In addition, heavy materials are loaded in the process. The Company may have to pay for damages from lawsuits initiated by those suffering from it as well as fines. This in turn could negatively affect its business, financial conditions and operation results in future.

Yet, the Company has an emergency plan and implement safety measures that are up to the standards and accepted by related private and government agencies, OHSAS/TIS 18001, to prevent or reduce work-related accidents. The statistics in the past show that accidents from the day the factory was established were very low while there have never been claims for compensation for damages from its staff.

5. Risk from government policies and related regulations

5.1 Risk from the Free Trade Agreement covering hot-rolled steel

At present, Thailand is negotiating several Free Trade Agreements. The one which is related to the steel industry is the FTA negotiated with Japan. In the latest development, Japan wants Thailand to immediately reduce the tariff on hot-rolled steel to 0 percent while Thailand still wants to maintain it at 5 percent for 10 years before gradually reducing it in year 11 until it becomes zero in year 15. The agreement will affect certain manufacturers, and due to quota restrictions, the Company may be affected by higher competitions from Japanese steel manufacturers, which could affect its future operation. In addition, if the government continues to negotiate the FTA with other countries that involves hot-rolled steel, the Company may be affected from the increased competitions in the market.

However, the Company may not be much affected because most producers in Japan are currently levied for anti dumping taxes. If such tax measure is lifted or eased, the Company will remain competitive since it has continually improved its product quality, price, and production efficiency to be competitive in the world arena.

5.2 Risk from the government's price control

According to an announcement of the Commerce Ministry, steel sheets are controlled goods with regulated maximum selling price ceiling for each producer. To increase prices above the regulated ceiling, each producer is required to submit to the government authority for price increment approval, and within 7 days, if the agency does not turn down the request for the rise, the producer may increase its product prices. However, the Company may face risks from not having granted permission from the government authority for the increment, or it may not be able to increase the prices in line with the increasing costs. The government price control, thus, may produce negative effects on the Company's business, financial status, and performance results in future.

In the past, the Company managed to adjust its selling prices to cope with higher costs; it absorbed merely a small portion of increase. Moreover, it successfully exported at the world market prices. Such prices reflected real costs, and there is no need to solely depend on domestic sales if prices for the latter market are not in line with real cost burdens.

5.3 Risk from the fact that the Company's business is highly affected from the government's policy

The Company's business is a heavy industry that government's policies may greatly affect its operation results. At present, the Company is granted investment privileges from the Board of Investment and protected under the law on anti-dumping. Therefore, it may be exposed to negative effects should the government adjust the policy.

However, a policy changing in regard to the Board of Investment will not affect the Company. At present, it receives an investment promotion certificate for its existing business and the future expansion. So far, the government's policy has not had any retroactive effect to projects already approved. Regarding the cancellation of the anti-dumping measure that the authority may possibly revoke it later, this may affect the Company in terms of its competitiveness at a certain degree. Still, the Company believes that its state-of-the-art technology and its competitiveness in producing steel, the revocation of the measure will hardly affect its operation result.

6. Risk from a legal dispute

Risk from the lawsuit on performance guarantees

Since the Company has restated its 2009 financial statements and G J Steel Public Company Limited ("Subsidiary") on the US\$ 3.1 million (Baht 104 million) provision for losses related to performance guarantees of the subsidiary, the Company and its subsidiary may have a risk from being filed a lawsuit on the performance guarantees for the goods sales of the intermediary to the trade debtors. The subsidiary has now agreed to take responsibility to directly claim against the trade debtors for the default of the intermediary to perform the commitments with the trade debtors. Furthermore, the Company and its subsidiary have reached an agreement with the trade debtors on the conditions of restructuring the debts with the creditors already with the details appeared in the notes to the 2010 financial statements page 141.

Thus, the Company had no such risk anymore.

7. Investment risks for investors

Risk from warrants exercise of directors, the management and staff at a special price

The Extraordinary General Meeting of the Shareholders No. 2/2004 on 5 October 2004 resolved to allocate 100 million units of warrants to directors, executives and staff at an exercise price of Baht 1 per share. The right was regulated to be exercised 1 year, 2 years and 3 years after the Company's shares were traded on SET respectively at the quantity of each one third of the warrants allocated. Each year, the right shall be exercised on the last working day of March, June, September, December and to be expired after 5 years on 11 January 2011. Investors therefore are exposed to a risk of higher costs when compared to warrant holders. In addition, there is also a risk that the Company's share price will fall if these share holders sell their shares after the exercise date. The investors would face dilution effect as well.

However, as of 31 December 2010, the Warrants sold to Directors, Executives and staff have been left over only 72,472,338 units. If the holders of the Warrants of such group should have exercised all their rights, such Warrants can be converted to 72,472,338 ordinary shares or 0.44% of the total shares (16,481,695,198 shares) which is too little to affect the share price nor the Company ownership.

8. General risk

Risk from non-operation due to force majeure

The Company is exposed to risks resulted from uncontrollable factors such as natural disaster, industrial accident, arson, terrorism, technical glitch and errors and labor strikes. In addition, by combining all production process within the same premise, the Company may be exposed to a higher risk if it has to stop operation in each event of the violence or natural disaster. The Company also buys machines from a few manufacturers and the fact that its production process is quite complicated and may be exposed to high heat means the Company has a higher risk exposure to production problems due to machine error or industrial accident. This may affect the Company's business, financial conditions and its operation results in future.

Yet, the Company's machine is made by leading manufactures with technology accepted worldwide. As a result, there is a reason to be confident in the machine and the production process that no major problem should occur that may materially affect its incomes. Besides, the Company has hired steel experts from overseas to handle the issue. Production staff is trained on an ongoing basis. A chance for the Company to suffer from factory shutdown for a long time due to staff error therefore is minimal.

Regarding a failure to manufacture steel due to other factors such as terrorism, natural disaster and labor strike, the Company has set up a security system consisting of security guards hired from a third party and its own staff security guards to check access 24 hours. Inside the factory, there is a fire-fighting system and there are enough tools that meet competent standards to fight all kinds of fire. Fire drills are conducted according to the Department of Labour's standard. The Company also takes out an insurance against loss or damage of properties due to ill-willed actions and all kinds of natural disasters.

Moreover, the Company has set up Corporate Social Responsibility Committee and Welfare Committee in order to take care of the employee welfare with fairness and for the benefit of the staff.

Internal Control and Audit System

The Board of Directors gives priority to effective internal control and audit system at both managerial and operational levels. The Board of Directors and executives are responsible directly for arranging and maintaining the internal control system and appraisal of the sufficiency of the internal control system in 5 areas, namely 1) organization and environment, 2) risk management, 3) the management's operational control, 4) significant information and communications system, and 5) the monitoring system, including setting business direction, developing the decision support system, stipulating scope of authority and authorization amount that the management in different levels can approve. Employee work guideline is clearly defined, also the ethical practice framework, control measure of each procedure in connected transaction of persons who may have conflict of interest, adoption of generally accepted accounting principles that allowed independent auditors to express opinion independently and openly, as well as provision of sufficient access to significant information.

The Internal Audit Department is responsible for auditing the Company's finance and operation, and hiring legal advisors with specialization in the required area to assist the department in monitoring the execution of related rules, regulations and laws, and to ensure that the Company's operation and significant activity are directed in the right direction. In order to maintain the Internal Audit Department's independence and balance of power, the Board of Directors therefore assigned the department to report directly to the Board.

The Audit Committee had 12 meetings in 2010, to review justification of related transactions, adequacy of internal control system, including meeting with independent auditor to examine financial statements and data disclosure revision, and also to scrutinize the annual audit plan as well as to monitor the results of the internal audits.

The SEC ordered the Company and G J Steel Public Co., Ltd. to provide special audit reports in respect of the following issues: sales under credit terms and the acquisition of machineries; the recognition of allowance for deterioration of raw materials; construction in process with no progress; and advance payments for the purchase of machineries. The Company submitted the reports to the SEC on 7 May 2010 and these reports, along with management's response to the reports, are publicly available through the SET's electronic system. The Company's management is continuing to review the Company's internal control framework with respect to the strengthening of necessary internal controls.

Control of the use of internal information

The Company stipulated ethics policy that shall be executed by the directors, executives and employees. Under the policy, the directors, executives and employees shall not use the Company's significant internal information, which is not released to the public, for own or others' benefits, including trading of the Company's shares. Measures to prevent directors from using internal information for own and others' benefits are as follows

1. Ensure that the executives and management in all departments understand their duty in reporting the shareholding status in the Company of themselves, spouses, and children who have not yet attained manhood, and report changes in their shareholding as required by the Article 59 and Punishment Article 275 of the Securities and Stock Exchange Act B.E. 2535.

2. To circulate letters to executives informing them that any executive who receives significant internal information and financial statements that may affect the Company's share price, should avoid or cease trading the Company's shares and not disclose such significant information to others 1 month prior to the disclosure of financial statements or internal information to the public.

The Company has imposed penalties in the Company's regulations for the persons who use such internal information in breach of the regulations for their own interest starting from verbal warning to dismissal.

Labor Dispute

There is no labor dispute at present.

Employee development policy

The Company arranged internal trainings to enhance employees' knowledge and skills by learning from hands-on experience and advice from experienced seniors in different areas. In addition, the Company encouraged employees to regularly attend trainings and seminars organized by outside organizations. The Company also has a policy to offer appropriate remuneration to employees to stimulate and maintain them with the Company in the long run.

Dividend payment policy

The Company has a policy to pay dividend to shareholders in case that it does not require money for additional investment or business expansion and when there is sufficient cash flow. The Company's policy is to allocate 50 percent of its net operational profit after corporate withholding tax and legally required reserve for dividend payment. The Board of Directors may stipulate different policy if necessary, such as during significant changes in overall economy or market or other events that may have impact on the Company's financial liquidity, etc.

Internal Control

The Risk Management Committee creates "Sufficiency of Internal Control System" appraisal form for the year 2010, dated 7 February 2011 by asking information from the Company's executives and the form has been approved by the Audit Committee. The appraisal form has been presented in the meeting No. 3/2011 of the Board of Directors on 4 March 2011 for acknowledgement.

The Sufficiency of Internal Control System appraisal form was created considering 5 areas, namely 1) organization and environment, 2) risk management, 3) operational control by the executives, 4) information and communication system, and 5) monitoring system. The Board of Directors agreed that the Company has sufficient internal control system. Besides, there is Risk Management Committee to review the system and appraise the effectiveness of risk management all the year.

Not only the Company has sufficient internal control system related to transaction made with major shareholders, directors, executives and those related to the mentioned persons, but also the Board of Directors has promoted and encouraged the Company's management and administration to continuously improve internal control system to enhance good corporate governance practice.

Sufficiency of internal control system assessment

The Board of Directors assessed the sufficiency of the Company's internal control system for the year 2010. The findings are as follows;

1. Organization and environment

- The Board of Directors directed the preparation of 1-year short-term, 5-year medium-term, and 10-year long-term business goals in parallel to the preparation of annual budget. The Board of Directors also monitored the execution from time to time and adjusted plans during the year to better address changing situations. Such changes were reported to the Board of Directors for approval.

- The Board of Directors carefully set business goals and ensured that they were reasonable and can be achieved. Appropriate and attractive employee remuneration and benefits were also considered.

- The Company clearly set organizational structure and separate the administration into 2 parts, i.e. production and maintenance, and the other part is supporting departments allowing the management to manage the operation with highest efficiency.

- The Company reviewed in 2008 the Code of Conduct by adding ethics and related provisions covering the prohibition of action done by management and employees that may cause conflict of interest with the Company and its trade partners. The punishment in case of breach of ethics had also been defined.

- The Company prepared policies and operational rules in writing for financial transaction, purchase and general management with carefulness so that frauds can be prevented. The purchase operation manual conforms to the ISO 9001: 2008. For its financial and general management, the Company prepared a clear flow chart and clearly set the maximum amount of money approving authority. Information technology system has also been improved for use as anti-fraud tool.

- The Company had a purchasing improvement plan with supplier and contractor to encourage morality, fairness and transparency in purchasing, including green procurement and social responsibility.

- In stipulating policy and operational plan, the Company takes into account the fair treatment to its business partners by creating good relationship with suppliers and contractors, keeping trade secret, and bribe being prohibited.

2. Risk management

- There are 6 Risk Management Committee meetings in 2010, to review and appraise the efficiency of risk management.
- Risk Management Committee will analyze and report progress of characteristics of risk and direction of risk management to maximize benefit to the Company.
- The Risk Management Committee stipulated measures to appraise the efficiency of risk control in various areas and to reduce possible risks that may affect the Company's operation, at least 4 times a year.
- Risk Management Committee has defined the Annual Risk Management Plan and assigned the Management to proceed with the actions in accordance with the Plan and then report back to the Committee on the progress of the implementations.
- The Company stipulated that the Management to have a meeting every week. Management of each area will present operation performance together with problem and risk facing in order to find solution and prevention.

3. Operational control by the executives

- In 2010, the Company clearly reviewed the regulation on approval authorization in financial and operational matters in 2010 for the Management to manage the operations with greatest efficiency.
- The Company, with Work Flow provided, clearly separated the responsibilities of approving, recording accounting items and significant information, as well as assets maintenance.
- The Company stipulated measures and procedures of connected transaction approval and set as a policy on conflict of interest included in the Code of Conduct for executives and employees. The Internal Audit Department was assigned to audit and directly and consistently report to the Audit Committee. The Company also prohibits persons who may have conflict of interest to participate in approving transaction that may cause conflict of interest. In approving any transaction, the Company takes into account the long-term benefit as priority. In case of transaction that may involve conflict of interest, the matter shall be reported to the Audit Committee, or as the case may be, opinions of the Audit Committee shall be sought.
- The Company regularly monitored any execution in respect of contracts and agreements. The Company consistently monitored the operations of its subsidiaries where the Company has put an investment. The Company would appoint directors to hold directorship in the subsidiaries. For affiliate companies, the Company appointed representatives to be directors to protect its benefits.
- The Company hires a legal advisor from outside to review documents and provide consultancy in its operation. Internal Audit Department is assigned to audit the execution of the conduct to strictly conform to the rules, regulations and related laws.
- The Company has never breached the law whereby the preventive measures have been prepared.

4. Information and communication system

- For the Board of Directors' meeting, the secretary to the Board of Directors and the Management prepared document and details concerning the important issues of the agenda to be considered so that the Board of Directors studied in advance. If there were any additional information, the secretary to the Board of Directors would provide the information prior to or within the meeting date.

- The Company delivered the meeting invitation, the previous meeting minutes and meeting document to the Board of Directors 10 days in advance.

- The Company prepared the Board of Directors' meeting minutes by recording significant details, including recommendation, objections (if any) and asked the Board of Directors to certify and approve the meeting minutes in the next Board of Directors' meeting. The Chairman of the Board of Directors granted the opportunities for the Board of Directors to independently correct or add content in the meeting minutes.

- The Company categorizingly kept the documents supporting the financial and accounting transactions. In case of any incompleteness, the independent auditor to rectify and complete the document at once.

- The Company has its accounting policy as per the generally accepted accounting principles, to be restrained and audited by certified independent auditor.

5. Monitoring system

- The Management reported the operational performance to the Executive Committee and the Board of Directors every quarter. The Company also prepared annual budget for the following year and will use it as the criteria in appraising the performance and compare the difference between the forecast and the actual for the Board of Directors' acknowledgement.

- The Company arranged an executive meeting every week to monitor the operational performance and compare to the Key Performance Indicators (KPI), as well as seek solution in case the Company has not yet achieved the set goals. A committee was set up, with emphasis on operation system improvement, to handle project execution to enable the Company to achieve its business goal.

- The Company has arranged an examination to monitor regularly the set internal control system. The Internal Audit Department has duty for the annual monitoring plan covering finance, operation, and the practice in compliance with rules and law concerned, so as to assess the efficiency and effectiveness, including the implementation of the existing internal control system.

- The Company regularly and consistently monitored internal control system. The Internal Audit Department is assigned to report directly at least once a month to the Audit Committee. As a preventive measure, the Internal Audit Department has audited and closely monitored the execution of operations of every unit, to assess the rectification of any significant deficiency, and report to the Board of Directors.

- The Company required the Management to immediately report to the Board of Directors in case of fraud or suspected irregularities, breach of law and other irregular actions that may significantly affect the Company's reputation and financial status.

1. Connected Transactions between the Company and persons with possible conflict of interest

Persons with possible conflict of interest	Type of relationship	Transaction	Transaction value in 2010 (Million Baht)	Outstanding as of end of 2010 (Million Baht)	Terms and conditions
<p>Sukhumvit Inter Development Co., Ltd. ("SID")</p> <p><u>Type of business</u> Developer of office building, industrial estate and others</p>	<p>A juristic person whose shares are held by the Company's directors and shareholders totaling 1.26%</p>	<ul style="list-style-type: none"> ▪ Deposit ▪ Trade account payable ▪ Accrued expenses 	<p>-</p> <p>6</p> <p>-</p>	<p>3</p> <p>1</p> <p>1</p>	<p>Cost of raw water according to the sale agreement of raw water at a lower price than that from direct water producer.</p>
<p>Arnoma Hotel Bangkok Co., Ltd. ("Arnoma")</p> <p><u>Type of business</u> Hotel</p>	<p>A juristic person sharing same directors with the Company and shares are directly and indirectly held by the Company's directors totaling 69.4%</p>	<ul style="list-style-type: none"> ▪ Creditor other 	<p>1</p>	<p>-</p>	<p>Service fee for using as venue for meetings and hosting foreign guests of the Company. The hotel is strategically located and charges standard service fee.</p>
<p>Oriental Access Co., Ltd. ("OA")</p> <p><u>Type of business</u> Business advisor</p>	<p>A juristic person whose shares are indirectly held by the Company totaling 99.92% via Siam Professional Holding Co., Ltd. and sharing the same directors with the Company</p>	<ul style="list-style-type: none"> ▪ Receivables from other sales ▪ Bad and doubtful debts expense ▪ Reversal of bad and doubtful debts expense ▪ Loans to and receivables from related parties 	<p>-</p> <p>-</p> <p>(102)</p> <p>-</p>	<p>1,069</p> <p>1,069</p> <p>-</p> <p>2,138</p>	<p>Service for the Company providing consulting service to OA in relation to production process management and other business advice.</p>

Persons with possible conflict of interest	Type of relationship	Transaction	Transaction value in 2010 (Million Baht)	Outstanding as of end of 2010 (Million Baht)	Terms and conditions
		<ul style="list-style-type: none"> ▪ Bad and doubtful debts expense ▪ Accrued interest income from related parties ▪ Bad and doubtful debts expense ▪ Bad and doubtful debts expense 	- - - 23	2,138 209 209 -	
G J Steel Public Co., Ltd. ("GJS") <u>Type of business</u> Hot Rolled Coil producer	A juristic person whose shares are indirectly held by the Company and its subsidiaries totaling 44.12%	<ul style="list-style-type: none"> ▪ Sales of raw materials ▪ Receivable from production services ▪ Accrued interest income ▪ Receivable from off-setting ▪ Advance received for products ▪ Trade account payable ▪ Creditor other 	22 - 63 - - 13 5	111 - 1 958 - - -	<ul style="list-style-type: none"> ▪ Purchase of Hot Rolled Coil Steel at a market price based on general business conditions as offered to other customers with records of good financial standing and timely payment as required by the Company. ▪ Purchase of steel scraps and pig iron for use in the production process. The price was based on a cost plus a normal profit margin under a normal business condition, which was not higher than a price it paid to other scrap sellers. ▪ Sales of Hot Rolled Coil Steel at a market price with the same business conditions as

Persons with possible conflict of interest	Type of relationship	Transaction	Transaction value in 2010 (Million Baht)	Outstanding as of end of 2010 (Million Baht)	Terms and conditions
					<p>offered to other customers with records of good financial standing and timely payment as required by the Company.</p> <ul style="list-style-type: none"> Sales of steel scraps and pig iron for use in the production process. The price was based on a cost plus a normal profit margin under a normal business condition, and was not lower than that to other buyers.
<p>Millconsteel Industries Co., Ltd. ("MILL")</p> <p><u>Type of business</u></p> <p>Sale and/or purchase of raw material, steel and consumables</p>	<p>A juristic person sharing same directors with the Company and shares are held by the directors totaling 2.49%</p>	<ul style="list-style-type: none"> Trade account payable Advance received for products 	<p>10</p> <p>99</p>	<p>-</p> <p>37</p>	<ul style="list-style-type: none"> Costs of purchasing other raw material and consumables for the production. The purchase price was its cost plus a normal profit margin based on normal business conditions. Sales of Hot Rolled Coil at a market price with the same business conditions as offered to other customers with records of good financial standing and timely payment as required by the Company.

Persons with possible conflict of interest	Type of relationship	Transaction	Transaction value in 2010 (Million Baht)	Outstanding as of end of 2010 (Million Baht)	Terms and conditions
BRP Steel Co., Ltd. ("BRP") <u>Type of business</u> Sale and/or purchase of raw material and consumables	A juristic person sharing same directors with the Company	<ul style="list-style-type: none"> Trade account payable 	161	-	Costs of purchasing other raw materials and consumables for the production. The purchase price was its cost plus a normal profit margin based on normal business conditions.
Great Eastern International Co., Ltd. ("Great Eastern") <u>Type of business</u> Sale and/or purchase Hot Rolled Coil Steel Product	A juristic person the directors of the subsidiaries holding shares totaling 99.99%	<ul style="list-style-type: none"> Trade account receivable Allowance for doubtful debts Bad debts 	321 - 181	181 (181) -	Sales of Hot Rolled Coil at a market price with the same business conditions as offered to other customers with records of good financial standing and timely payment as required by the Company.
Siam Professional Holding Co., Ltd. ("SPH")	A subsidiary the Company holds shares totaling 99.99%. Over half of directors are the Company's representatives	<ul style="list-style-type: none"> Loan to related parties Allowance for doubtful debts Accrued interest from related parties Allowance for doubtful debts 	- - - -	5 5 1 1	For investment.
GS Notes Holdings Co., Ltd. ("GS Notes")	A subsidiary the Company holds shares totaling 99.99%. Over half of directors are the Company's representatives	<ul style="list-style-type: none"> Short-term loan 	-	1	Established for specific purpose of the Company's bonds restructuring.

Persons with possible conflict of interest	Type of relationship	Transaction	Transaction value in 2010 (Million Baht)	Outstanding as of end of 2010 (Million Baht)	Terms and conditions
Advance Metal Fabrications Co., Ltd. ("Advance")	A related company shareholder is a Company director	<ul style="list-style-type: none"> Trade account receivable Allowance for doubtful debts Bad debts Sales of raw materials Allowance for doubtful debts Sales of scraps Allowance for doubtful debts Trade account payable 	133 - 55 1 - - - 861	55 (55) - 1 (1) 352 (352) 58	<ul style="list-style-type: none"> Sales of Hot Rolled Coil at a market price with the same business conditions as offered to other customers with records of good financial standing and timely payment as required by the Company. Sales of scraps the price was based on a cost plus a profit margin under normal business condition as offered to other customers. Purchase of steel scraps for use in the production process. The price was based on a cost plus a normal profit margin under a normal business condition, and was not higher than that from other suppliers.
SSP Place Co., Ltd. ("SSP")	A related company sharing common directors with subsidiaries	<ul style="list-style-type: none"> Deposit in related parties Other creditors 	- 7	1 1	Office rental and service for head office.

Persons with possible conflict of interest	Type of relationship	Transaction	Transaction value in 2010 (Million Baht)	Outstanding as of end of 2010 (Million Baht)	Terms and conditions
Asia Metal Public Co., Ltd.	A related company sharing the shareholders with the Company and the directors with subsidiaries	▪ Advance received	126	20	▪ Sales of Hot Rolled Coil at a market price with the same business conditions as offered to other customers with records of good financial standing and timely payment as required by the Company.
Asia Metal Fabrications Co., Ltd.	A related company sharing the shareholders with the Company and the directors with subsidiaries	▪ Advance payment for fixed assets ▪ Allowance for asset impairment ▪ Other creditors ▪ Loss from impairment	2 - - 8	8 (8) 1 -	▪ Factory construction service.
Thailand Iron Works Public Co., Ltd.	Common director with GJS	▪ n/a	n/a	n/a	▪ Manufacture and sale of galvanized steel.
Intelligent System Network Co., Ltd.	Common director with GJS	▪ n/a	n/a	n/a	▪ Sale of computer hardware, software and system installation.
Felix River Kwai Resort (Kanchanaburi) Co., Ltd.	Common directors with GJS	▪ n/a	n/a	n/a	▪ Hotel, food and beverage.
Turnaround Steel Management LLC ("TSM")	Common directors	▪ Other creditors	22	4	▪ Financial advisory & management services.
Global Principal Partners LLC ("GPP")	Common directors	▪ Accrued expenses ▪ Other creditors	98 -	94 1	▪ Financial advisory services.

2. Connected Transaction between the Company and business alliances

Business alliances	Type of relationship	Transaction	Transaction value in 2010 (Million Baht)	Outstanding as of end of 2010 (Million Baht)	Terms and conditions
<p>Nara International Co., Ltd. ("Nara")</p> <p><u>Type of business</u></p> <ul style="list-style-type: none"> - Steel wholesaler and retailer - Supplier of other industrial products 	<p>The Company's directors and shareholders were once direct and indirect directors and shareholders but resigned from the directorship and were no longer its shareholders since September 2004.</p>	<ul style="list-style-type: none"> ▪ Trade account receivable ▪ Other debtors ▪ Allowance for doubtful debts ▪ Trade account payable 	<p>81</p> <p>-</p> <p>-</p> <p>359</p>	<p>-</p> <p>35</p> <p>(35)</p> <p>9</p>	<ul style="list-style-type: none"> ▪ Purchase of other raw materials, accounted for no more than 3% of the production cost, for use in the production process. The price was based on a cost plus a normal profit margin under a normal business condition. ▪ Sales of Hot Rolled Coil at a market price with the same business conditions as offered to other customers with records of good financial standing and timely payment as required by the Company.
<p>Federal Steel Industry Co., Ltd. ("Federal")</p> <p><u>Type of business</u></p> <ul style="list-style-type: none"> - Steel wholesaler and retailer of steel, scraps and pig iron 	<p>The Company's executive was once its director and shareholder but resigned from the directorship and has on longer been its shareholders since October 2004.</p>	<ul style="list-style-type: none"> ▪ Trade account receivable ▪ Allowance for doubtful debts ▪ Bad debts 	<p>506</p> <p>-</p> <p>334</p>	<p>334</p> <p>(334)</p> <p>-</p>	<ul style="list-style-type: none"> ▪ Sales of Hot Rolled Coil at a market price with the same business conditions as offered to other customers. ▪ Sales of steel scraps the price of which was based on a cost plus a normal profit margin under a normal business condition as offered to other customers.

Business alliances	Type of relationship	Transaction	Transaction value in 2010 (Million Baht)	Outstanding as of end of 2010 (Million Baht)	Terms and conditions
Trinity Freight & Shipping Co., Ltd. ("Trinity Freight") <u>Type of business</u> - Transporter - Steel wholesaler and retailer	- Business alliances	<ul style="list-style-type: none"> Other debtors Accrued expenses Other creditors 	- - 296	1 18 19	<ul style="list-style-type: none"> Cost of transporting steel scrap from port to factory and from factory to customers and to port for export. The fee was based on weight of steel scraps and steel sheets being transported. This was a market price as offered by other firms in general.
Trinity International Co., Ltd. ("Trinity Inter") <u>Type of business</u> - Customs clearance company - Steel wholesaler and retailer	The Company's director, shareholder and executive were once its director and shareholder but resigned from the directorship and were no longer its shareholders since 2002 and 2003, respectively.	<ul style="list-style-type: none"> Accrued expenses Other creditors 	- 19	2 16	<ul style="list-style-type: none"> Customs clearance fee for imports of raw materials and exports of Hot Rolled Coil at a market price as charged by other companies in general.
Millennium Metal Work Co., Ltd. ("Millennium") <u>Type of business</u> - Steel wholesaler and retailer	Former major shareholder of Superior Overseas (Thailand) Co., Ltd. used to be director but resigned from its directorship since 2003.	<ul style="list-style-type: none"> Trade account receivable Allowance for doubtful debts Bad debts Sales of finished goods 	- - 29 64	29 (29) - -	<ul style="list-style-type: none"> Sales of Hot Rolled Coil at a market price with the same business conditions as offered to other customers.

3. Approval measures or procedures to conduct connected transactions with related companies or persons with possible conflict of interest

The Company has a measure to protect every shareholder. The following are measures set up to control connected transactions with related companies or persons with possible conflict of interest.

1. To approve a transaction with related companies or persons with a possible conflict of interest and business alliances (wholly referred as “persons with possible conflict of interest”), the Board of Directors and the Audit Committee must consider the following under a clear policy:

- The Board of Directors must comply with the laws on securities and exchange and rules, announcements, orders or terms and conditions of the SEC and the SET. The Board must also comply with terms and conditions, regarding disclosure of information of connected transactions and acquisition or disposal of major assets of the Company or its subsidiaries, of the SET and accounting standards as determined by the Association of Accountants.

- Management power and approval power of executives at each level is clearly determined as follows:

- If CEO or persons with possible conflict of interest has any conflict of interest with the Company, related companies or persons with possible conflict of interest, the CEO must not approve the transaction.
- If an executive director or persons with possible conflict of interest has any conflict of interest with the Company, related companies or persons with possible conflict of interest, the Executive Committee must present to the Board of Directors for consideration and approval.
- If a director or persons with possible conflict of interest has any conflict of interest with the Company, related companies or those with possible conflict of interest, the director must not approve the transaction.
- Shareholder with conflict of interest in any matter may not approve the transaction.

2. In case of a normal business transaction with related companies or persons with possible conflict of interest such as purchasing of raw materials or services, sales of goods and others.

- The Internal Audit Department will check every transaction on a monthly basis for a reference price that can be compared with a market price and for business conditions compared to what was offered to the non-related business parties to protect the Company's interest. Results of the audit will be presented to the Audit Committee on a quarterly basis.

- The Audit Committee will, for the Company's benefit, express its opinion with regard to the necessity and rationale behind a transaction where prices and business conditions will be considered in comparison to transactions incurred with other parties of the same or equivalent goods or services. If the Audit Committee finds that the transaction is not complying with the pre-determined conditions, the Audit Committee will inform the Board or CEO to find a solution together.

3. In case of other transactions such as loan, acquisition or disposal of major assets or entering into various agreements, the Audit Committee will express its opinions over the price, necessity and whether the transaction is reasonable. If the Audit Committee has no expertise to do so, it may let an independent expert or auditor to review the matter and express an opinion towards such connected transaction to support a decision to be made by the Board of Directors or shareholders, as the case may be.

4. Future policy on connected transactions

The Company has a future policy, for the best benefit of the Company, to conduct connected transactions the conditions of which will be set to be in line with a normal business in the market where prices and conditions offered to the other parties can be compared. The Company has no policy to provide financial assistance or to guarantee related companies or persons with possible conflict of interest. To do a connected transaction in the future with persons having a possible conflict of interest, the Company will let the Audit Committee or an auditor or an independent expert, as the case may be, to review and express their opinions over a transaction price and rationale behind the transaction, and will comply with SEC's announcements regarding the approval measures or procedures of connected transactions and other connected items.

Corporate Social Responsibility

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

After 2008, whereby the Company participated in CSR-DIW project of Corporate Social Responsibility (CSR) hosted by the Department of Industrial Works (DIW), Ministry of Industry. The project covers 7 major aspects of Organizational Governance, Human Rights, Fair Labor Practices, Environment, Fair Operating Practices, Consumer Issues, and Social Development.

In 2010, the Company has regularly updated important issues and continuously adapted. As a result, on 25 January 2011 the Company received the renown award of CSR-DIW Continuous Awards. Also, on 3 September 2010 the Company received a CSR-DPIM certificate for the achievement of the Standard for Corporate Social Responsibility for Mining Industry B.E. 2553 from the Department of Primary Industries and Mines, Ministry of Industry.

For 2010, the Company aimed at the consciousness in the aspects of community benefit and environment. The CSR activities performed during the year were labor sacrifice without expenses. They were blood donation, cleaning temples, planting trees, etc. as follows:

1. Social development participation

1.1 Promote good sanitation for employees

- **Encourage for exercising**

Sports Day event was hosted by the Company on 22 December 2010 to encourage unity among the employees and using their leisure time to benefit. The Company also organized "White Factory Project" (drug-free factory), an annual event as a campaign among employees to receive knowledge about drugs. It also promoted good health for employees staying away from drugs, etc.

- **Provide health checkup and medicine, as well as vaccination**

The Company provides the annual health checkup for employees. It has also provided ward, physicians, nurses stationing at the ward, medicines, as well as ambulances in case of emergency.

1.2 Promote culture and conserve cultural heritage

- **Merit making in Songkran Festival**

The Company has hosted a merit making ceremony every year on Songkran Festival at its factory premises. On 9 April 2010, the ceremony included sprinkling water onto a Buddha image, pouring water on executives' hands while asking for blessing, and Klong Yao (a type of drum) dance, so as to preserve culture and build consciousness among employees to be submissive and respectful to senior persons.

In addition, the Company provided fund to support Songkran activities of the temples in the community around its factory. They were Nongkrabog Temple, Nonglalog sub-district, Bankhai district, Rayong province.

- **Activity on offering of robes and necessary articles to monks**

On 3 November 2010, jointly with Rayong Industry Administration Office, the Company was honored to sponsor a Royal Kathin Ceremony offering robes and necessary articles to monks.

1.3 Education promotion

- **Organize students' visit program to the Company's factories**

The Company has continuously organized factories' visit for students from various institutions to observe the manufacturing process. It received letters expressing appreciation towards the program from various educational institutions. Visit of personnel from Prajuabkirkkan Industry Administration Office on 8 July 2010 was included.

2. Participate in economy development

- **Domestic raw material policy**

The Company has taken into consideration the economic impact towards local economy as the first priority task. Consequently, it has implemented a policy to purchase and procure raw materials locally in the country, such as scraps, to promote local economy which will benefit the country's economy as a whole.

- **Extend special privilege to local trade partners**

The Company has implemented a policy to support the use of the materials in office and other materials in manufacturing process that can be procured in local shops as first priority. It has also participated in developing local trade partners, along with running its own business.

3. Participate in local community

Social investment

- **Project on more income for community**

The Company encouraged local community to earn more income by selling their agricultural products such as fruits, so as to strengthen the economy in the community. The Company organized "G Steel Market Fair" on 31 May and 1 June 2010 to enable local people to sell the crop especially during the oversupply season at the premises of the Company's factories.

- **Project on laundry service**

To create income for the local community, the Company hired local housewives in Nonglalog sub-district to render their service of laundry. The uniforms of the Company's employees will be regularly collected in suitable quantity and delivered for laundering.

4. Participate in environment protection

- **Activity to plant trees in Company's factories**

The Company organized "Adding Green Area in Factories" project, for the third consecutive year on 30 July 2010. Its both executives and employees jointly planted 200 trees within the compound of its factories to increase green area and create cool and pleasant atmosphere surrounding the factories.

- **Activity on mangrove planting**

For the ecosystem reviving “We Conserve Mangrove” activity for the second year taking place at the mouth of Rayong River, Muang district, Rayong province on 26 June 2010, the Company’s more than 100 executives and employees devoted their holidays with volunteer spirit to jointly plant mangrove the seedlings of which were received from the government sector.

5. Participation in social and public benefit

- **Blood donation activity**

The Company cooperated with the Provincial Red Cross Chapter of Rayong, the Thai Red Cross Society, in organizing blood donation activity within the Company’s factory compound, under “Give Blood...Give Life” project, to enable the Company’s executives and employees to jointly donate blood. The activity was hosted twice in 2010, on 14 January and 14 September with over 200 staff members donating their blood.

- **Activity sharing spirit with the society**

On the National Children’s Day, jointly with Nonglalog Administration Organization, the Company held a party on 8-9 January 2010 giving away ice cream, sweets and gifts, rewards for playing game and for their participation in the activity on stage. Those receiving the support were Wat Nonglalog School, Wat Maptong School, Baan Teen Noen School, and Nonglalog Administration Organization.

Moreover, the Company supported sport competitions such as “Nonglalog Youth Cup” football match of Wat Nonglalog School on 4 February 2010.

Also, for a contribution to the fund to buy a piece of land to dedicate to Pakpa Temple in Rayong province, the Company supported the Nongtaphan-Bankoh motocross racing taking place on 7 February 2010.

On 7 March 2010, the Company supported 7-person football match of Nonglalog Administration Organization, Rayong province.

The Company jointly supported the football match “4th Teen Noen Cup” with Zone 2 Rayong Provincial Council members, Bankhai district, Rayong province on 13 November 2010.

- **Beautiful Temple with Our Hands project**

The Company organized the project “Beautiful Temple with Our Hands” for the third year at Nongkrabog Temple on 3 February 2010, and at Mabtong Temple, Bankhai district, Rayong province on 25 August 2010 the total of more than 100 executives and employees with volunteer spirit jointly clean and improve the landscape of the temples.

- **Activity on community school development**

As an activity on community school development, the Company organized the project “Pavement for the Younger” on 25 August 2010 its executives and employees with volunteer spirit jointly brought about pavement and planted trees at Wat Mabtong School, Bankhai district, Rayong province.

Safety, _____ Occupational Health and Environment Management

The Company has been emphasizing in particular on the Safety, Occupational Health and Environment commencing from the design procedure of using the electric power to melt scraps and the natural gas to heat steel sheet. The Clean Technology for environment has been used as one of the tools. In addition to the environment friendly design, the Company also takes into account the resource optimization so as to produce the minimum waste or none of it. Therefore, the principle of 5 R has been applied; “Refuse” the environment-effected materials, “Reduce” the quantity of waste, “Reuse” materials, “Recycle” materials via processes to reuse, and “Reform” the materials for new function and operation.

The Company has maintained the implementation of the Environmental Management Standard of ISO 14001 continually since 2007, and improved the operation, as well as reduced the use of the resource effectively. Besides, the Company has participated in GERIAP (Greenhouse Gas Emission Reduction from Industry in Asia and the Pacific) under the United Nations Environment Programme (UNEP) in order to reduce releasing the carbon dioxide to the atmosphere, which is the main factor of an effect on Global Warming.

For occupational health and safety, the Company has maintained the implementation continually the Occupational Health and Safety Assessment Series (OHSAS 18001) under TIS (Thai Industrial Standards) since 2007. Also, many training courses under the laws newly issued were held, including the activities to promote the safety and occupational health for employees, as follows; establish the Occupational Health and Safety Committee, provide the personal protection equipment for all employees, including the special protection equipments such as safety glasses provided for electric welding to prevent dangers. Safety unit has been arranged to check the safety where employees are working. Drills in case of fire, gas or chemicals leak, including annual evacuation drill, together with 5 drills per year for the emergency team, etc. are also arranged.

As the safety and occupational health promotion activities mentioned above are continually implemented, the injuries to employees and contractors, and accidents, tend to decrease continually.

For visiting partners and contractors, as well as factory visitors, the Company has provided the emergency response team stationed at the factory and coordinated with the related external organizations to jointly practice the emergency response plan drill. Additionally, for the related partners and contractors, the Company has studied and planned to apply the environment friendly procurement (Green Procurement) for implementation.

and Analysis of Financial and Operational Performance Result

1. Restatement of financial statements

On 16 August 2010, the Company's Board of Directors approved a decision to restate the Company's and the Group's previously-issued 2009 financial statements following a request to do so by the Thai Securities and Exchange Commission (the "SEC") and to correct the following errors which were made during these years as a result of (A) the Company's and G J Steel's previously under-recorded historical supplier liabilities (and the Company's associated overstatement of current assets and non-current assets), (B) G J Steel's provisions for losses related to performance guarantees and the Company's provisioning of a related receivable, (C) the Company's, OAC's and G J Steel's provisions for under-recorded tax obligations and (D) the Company's decision to adjust an unusable scrap charge originally taken in the three-month period ended 31 March 2009 to the year ended 31 December 2008.

The Group's management explanation for the adjustments which have been made to correct the previously-made errors is as follows:

A. Previously under-recorded historical supplier liabilities

During 2010, the Company and its subsidiary, GJ Steel Public Company Limited ("GJ Steel"), were informed by four raw material suppliers, one of which is a supplier in common to both the Company and GJ Steel (the "Suppliers"), that the balances owed to the Suppliers was higher than the amounts previously recorded by the Company and GJ Steel. The differences stemmed from historical periods when the global financial crisis significantly impacted the value of delivered raw materials. During this period of extraordinary pricing volatility there were negotiations with the Suppliers in regards to potentially obtaining discounts to the prices confirmed in the original purchase orders, some of which covered raw materials under consignment agreements. As a result of the misunderstanding between the Company and the Suppliers and GJ Steel and its Suppliers concerning negotiated discounts, the Company and GJ Steel originally recorded losses on the values for inventories, provisional losses of confirmed purchase orders, and resulting costs of goods sold and accounts payables that were different from those reconciled with the Suppliers. The Company and GJ Steel have since reconciled their accounts with the Suppliers. As a result of this reconciliation and updated management views on the liabilities owed to the Suppliers, the Company and GJ Steel have decided to reissue its reporting of the respective differences in inventory losses, provisional losses of confirmed purchase orders, and the resulting costs of goods sold and accounts payables as noted. The Company is also restating the deposits placed with certain Suppliers as prepayments for future deliveries of raw materials (reflected in the Company's other current assets and other non-current assets accounts). Furthermore, the Company and GJ Steel are restating the interest charges (reflected in the Company's and GJ Steel's finance costs and accrued interest expenses) related to the associated understatement of principal balances and corresponding accounts payable for the raw materials placed on consignment. The final adjustment required pursuant to the Company's and GJ

Steel's reconciliation with the Suppliers is with respect to the net foreign exchange gains and losses during the restated periods as the agreements with the Suppliers are denominated in foreign currency.

In addition, during the supplier balance confirmation process, one of the Company's utility suppliers confirmed that balances incurred prior to the Company's rehabilitation plan had been forgiven whilst these balances had remained recorded in the Company's liabilities under rehabilitation plan. The restatement also provides for the necessary adjustment to this liability.

B. Provision for losses related to performance guarantees

The Company and GJ Steel may face claims from two end-use customers (the "End-Use Customers") related to an agreement covering the supply of hot-rolled coils. Following further review by the Company's and GJ Steel's management during 2010, GJ Steel has decided to retrospectively record provisional charges related to these potential claims and reissue its financial statements to show the impact of recording these provisional charges during the historical period in which these provisional charges should have been recorded (for the year ended 31 December 2009 (restated)). The amount of provision recorded as at 31 December 2009 (restated) was USD 18 million (Baht 620 million).

The potential claims stem from a commercial decision made by the Company and GJ Steel just prior to the market turmoil and downturn stemming from the late 2008 global financial crisis. During this period, GJ Steel was approached by an intermediary retailer of hot-rolled coils (the "Intermediary") with whom GJ Steel had previously conducted business whereby the Intermediary committed to sell hot-rolled coil products to the End-Use Customers. The Intermediary agreed to purchase the hot-rolled coils at an increased price due to the extended credit terms and a delivery guarantee offered by GJ Steel to the End-Use Customers. The End-Use Customers also required and were provided with the joint and several guarantee of the Company for the Intermediary's performance. GJ Steel has since been informed by the End-Use Customers that the Intermediary failed to perform its commitments. The End-Use Customers are now seeking relief from GJ Steel to the extent that they have not received value from the Intermediary. However, neither of the End-Use Customers has taken legal action against the Company or GJ Steel.

While GJ Steel has recorded the aforementioned provisional liabilities, given the joint and several nature of the guarantee provided by the Company, the Company is also disclosing these non-duplicative amounts as a contingent liability as stated in Note 41.1 to the Company's financial statements.

One of the End-Use Customers was also a customer of the Company. The End-Use Customer owed the Company USD 3.1 million (Baht 104 million) for a prior delivery of hot-rolled coils that took place during the year ended 31 December 2008 ("End-Use Customer Receivable"). The End-Use Customer provided the Company with notice that it was offsetting payment of the End-Use Customer Receivable against the value of the aforementioned performance guarantee. Given GJ Steel's recognition of the provisional charges related to the performance guarantee in the restated year ended 31 December 2009, the Company is likewise recording a full provision of the End-Use Customer Receivable during the same restated period. Given the joint and several nature of the performance guarantee, the Company is evaluating whether it can make a subsequent claim of GJ Steel for the value of the End-Use Customer Receivable.

C. Provisions for under-recorded tax obligations

During its review of prior periods, the Company, its subsidiary, Oriental Access Company Limited (“OAC”) and GJ Steel have discovered that they have under-recorded certain of their tax-related obligations. The Company, OAC and GJ Steel have commenced formal discussions to remediate these errors with the relevant tax authorities. The Company, OAC and GJ Steel have recorded their corrected assessment of these tax obligations and have made assessments for potential penalties and surcharges. The effects of these adjustments are reflected in the Company’s separate and consolidated other current assets, provision for taxes, other current liabilities, accrued expenses and administrative expenses. Accrued expenses are reduced and other current liabilities are increased as a result of a reclassification of potentially-applicable penalties for Group presentation consistency.

D. Timing adjustment for loss on scrap with soil

During its review of prior periods, the Company determined that a provisional expense assessed for unusable raw materials originally recorded during the three-month period ended 31 March 2009 totalling Baht 1,585 million is more appropriately recognized during the year ended 31 December 2008. “Unusable raw material” refers to scrap or pig iron that is determined to have an excessive concentration of impurities which would, if used, result in unsafe operations or the production of unsalable hot-rolled coils. The inventory to which the provisional expense was applied was in the Company’s inventory during year ended 31 December 2008. As such, the Company has determined that it is more appropriate to accelerate the provisional charge to the period in which these materials would have been deemed unusable by the Company.

2. Notes and Analysis of Financial and Operational Performance Result

Operational Performance Result for the year 2010

With reference to the aforementioned financial statements, the Company reported a consolidated net loss of THB 12,167 million and THB 13,540 million for the year 2010 and 2009 (restated), respectively. The Company (separate) reported a net loss of THB 8,462 million and THB 9,751 million for the year 2010 and 2009 (restated). To this extent, the Company would like to provide the following explanations.

- **Revenue from sales and cost of goods sold**

Consolidated revenue from sales for the year 2010 and 2009 (restated) amounted to THB 22,904 million and THB 21,952 million (separate results: THB 7,856 million for the year 2010 and THB 9,840 million for the year 2009 (restated), and consolidated gross profit (loss) for the year 2010 and 2009 (restated) amounted to THB (391) million and THB (9,030) million (separate results: THB (624) million for the year 2010 and THB (3,835) million for in the year 2009 (restated). The major factor contributing to the year 2010’s improved gross profit was increases in average selling price realizations experienced during the year when compared to the year 2009 (restated). Consolidated other income in year 2010 was lower than the year 2009 (restated) by THB 266 million (Separate results: the year 2010 was lower than the year 2009 (restated) by THB 130 million) due to the reduction of the sale of nonconforming products.

- Net foreign exchange gain

Consolidated net gain on foreign exchange for the year 2010 amounted to THB 2,057 million, a Baht 1,271 million increase from the year 2009 (restated) (Separate results: the year 2010 was higher than the year 2009 (restated) by THB 675 million). The major contributor was the strengthening of the Thai Baht versus the US dollar.

- Reversal of provision for loss on confirmed purchase orders for undelivered raw material

For the year 2010, Consolidated net reversals of provisions for losses on confirmed purchase orders for undelivered raw material amounted to THB 350 million (Separate results: THB 222 million), due to the increase of the Company's average selling realizations throughout the year.

- Reversal of bad and doubtful debts expense

For the year 2010, consolidated net reversals of provisions for bad and doubtful debt amounted to THB 134 million (Separate results: nil). This reversal was attributable to the offsetting of receivables due from one customer against payables owed to the supplier, as the customer and supplier were related to one another.

- Selling expenses

Consolidated selling expenses for the year 2010 and 2009 (restated) amounted to THB 280 million and THB 310 million, respectively (Separate results: THB 96 million and THB 151 million, respectively). The decrease is attributable to decreases in domestic sales volume in 2010 compared to 2009.

- Administrative expenses

Consolidated administrative expenses for the year 2010 and 2009 (restated) amounted to THB 1,408 million and THB 1,389 million, respectively (Separate results: THB 821 million and THB 554 million, respectively). The increase of THB 19 million (Consolidated) and 267 million (Separate) is primarily attributable to the increase in consultant fees and penalty expenses.

- Loss related to performance guarantees

Consolidated loss related to performance guarantees for the year 2010 and 2009 (restated) amounted to THB 58 million and THB 620 million respectively, decreasing from 2009 (restated) in the amount of THB 562 million. The primary factor contributing to the decrease in loss when compared to the year 2009 was the fact that in 2009 GJ Steel Public Company Limited ("GJ Steel") recorded both recognition of principal and interest associated with the provision. However, in the year 2010, only interest has been recorded.

- Bad debt and doubtful debt

Consolidated bad and doubtful debt for the year 2010 and 2009 (restated) is nil and THB 1,029 million, respectively, (Separate results: THB 62 million and THB 4,357 million, respectively), the decrease of THB 4,295 million for separate result and THB 1,029 million for consolidated result. The decrease in bad debt and doubtful debt in the separate financial statement because there is no transaction about loan to related parties compare to the year 2009 (restated).

- Loss on impairment of assets

For the year 2010, the Company recorded loss on impairment of assets of THB 11,267 million and THB 8,983 for consolidated and separate result, respectively as a result of:

1. During the three-month period ended 31 March 2010 the Company recorded an impairment charge concerning the now-cancelled hot-rolled coil expansion project.

2. An appraisal performed by an independent appraisal firm as at 31 December 2010. The independent appraisal firm utilized the Income Approach as a means to conform the Company's carrying value of fixed assets with international accounting standards. (This appraisal did not include the hot-rolled coil expansion project that the Company opted to cancel earlier in 2010 as referenced above.)\

3. The Company recorded a partial impairment charge against its investment in GJ Steel as a result of the reduction in GJ Steel's book value per share to a level that is below the Company's cost per share.

3. Special Audit

As the Office of Securities and Exchange Commission ("SEC") ordered G Steel Public Company Limited (the "Company") to provide a special auditor to conduct a Special Audit for the quarterly financial statement of 3/2010 with the report's findings to SEC by 1 March 2010.

The meeting of the Board of Directors No. 1/2010 on 4 February 2010 resolved to appoint KPMG Phoomchai Audit Limited led by Mr. Bob Ellis as the special auditor to conduct a Special Audit and the Company sent a letter dated 25 February 2010 to SEC to extend the delivery time of the Special Audit report until 7 May 2010.

On 7 May 2010, the Company submitted the Special Audit report to SEC and disseminated it to the public via ELCID where the Company highlighted the report's primary findings and the Company's action plan in response to the findings.

Special Audit Topic #1 Sales of hot rolled coils to selected new customers

KPMG findings of fact:

- No significant differences in pricing levels between selected new customers and other customers.
- In certain cases G Steel's internal control procedures related to credit limits and credit terms were not followed.
- Former management made business decisions concerning new customer acceptance without obtaining the Board of Directors' approval or appropriate authorization.
- Procedures were not performed to assess the financial position of each customer and to determine their ability to pay amounts due to the Company. This resulted in receivables which could not be collected.

Company's action plan in response:

- All new customers will be subjected to a customer evaluation system based on an objective credit metrics system.

- Existing customers will be evaluated on an annual basis to ensure compliance with the credit metrics system.
- The Company will obtain third party assistance in the implementation of stronger internal controls focused on customer acceptance and credit evaluation.

Special Audit Topic #2 Trading transaction with alliances and related businesses

KPMG findings of fact:

- New customers, related parties and alliance partners were in certain cases granted more generous payment terms than established customers who often had to pay in advance.
- Certain of the counterparties appeared related to one another by virtue of having the same directors and/or having the same address.
- G Steel does not review customer credit limits when accepting purchase order. Therefore outstanding receivables from some customers are higher than the credit limits approved. This subsequently leads to problem in respect of the debt collections.
- The Company lacks documentation and controls to track payments from invoicing to collection.
- No significant differences in pricing levels between alliances and related businesses and other customers.

Company's action plan in response:

- Existing customers, including related parties and alliances, will be evaluated on an annual basis to ensure compliance with the credit metrics system.
- All transactions, irrespective of relationship with the Company, will be performed on an arms-length basis.
- The Company will obtain third party assistance in the implementing of stronger internal controls focused on customer acceptance and credit evaluation.
- Prior to executing a new sales order, the customer's account balance will be checked for credit line capacity, to the extent the customer qualifies for credit sales.

Special Audit Topic #3 Sales of unused degraded quality material (metal scrap) and purchase of machinery for debt offsetting in relation to three companies

KPMG findings of fact:

- Sales of low grade scrap were made on generous payment terms although no assessment was made of the buyer's ability to pay.
- A lack of buyer evaluation and selection procedures subsequently led to uncollectible debts.
- Without the standard procedures (e.g. comparison of price or product specification), supplier, purchase price as well as the assets acquired may not be appropriate.
- The comparison of price and terms of proposal were conducted with the same number of suppliers who are the trading companies without comparing with price or terms offered by the manufacturer.

- There was no evidence the Board of Directors has approved certain offsets in which machinery and equipment was accepted as offsets to long outstanding receivables.
- Some payments for machinery were made to the third party or were offset against debts of the third party without sufficient supporting evidences.

Company's action plan in response:

- The Company will implement a system of more rigorous controls governing supplier selection and raw material inspection
- To the extent unusable raw materials must be resold, the Company will dispose of such materials via a competitive auction format. Customers for unusable raw materials will be evaluated in a manner similar to the system of scoring used for traditional customer evaluation.
- Materials separated and deemed unusable should be disposed of via a competitive sale process within a maximum number of days following determination that scrap is unusable.
- Whenever possible, the Company will procure machinery directly from the original equipment manufacturer.
- All significant equipment purchases will be performed on a competitively-bid basis using multiple, technically qualified suppliers representing "best in class" supply.
- All debt claims used for offsetting payments owed will be subject to Board of Director review and approval.
- Formal procurement process involving significant internal controls and signature authority is being implemented.

Special Audit Topic #4 Unusable raw materials due to degradation and debris

KPMG findings of fact:

- For receiving of imported scrap and pig iron, QC department does not perform quality inspection and only relies on certificate issued by a third party surveyor hired by the seller.
- Relying only on the surveyor certificate without internal inspection of goods received from the QC department, G Steel might not detect the problem and process to claim from suppliers on time.
- Although a third party was responsible for the scrap yard, there was insufficient documentation to support inventory movements.
- For scrap and pig iron, there is no specific report (e.g. stock aging report) for monitoring and managing of non-moving and obsolete stocks.

Company's action plan in response:

- Whenever practical, first-time suppliers will be sent smaller orders so Company may test performance of supplier.
- Performance results with supplier will be tracked and scored using an internal scoring system.
- Once supplier achieves a minimum score for a minimum number of orders, then the company may qualify the supplier for larger orders.

- In addition to cost and terms analysis, supplier scoring will have a weight in the decision-making as to whether or not to purchase from a particular supplier.
- Company's raw material QC process will be strengthened. Visual onsite inspections will be performed and surveyor's report will be only one means of performing quality checks.
- After materials are received and are utilized in the production process, if non-conformity levels are deemed too high then the non-conformity will be logged. The supplier will be notified, and the supplier's Company score will be impacted. Too low of a score will impact Company's future purchasing decisions.
- Materials separated and deemed unusable should be disposed of via a competitive sale process within a maximum number of days following determination that scrap is unusable.
- Third party raw material management service provider will implement system to track inventory movements and issue reports to accompany Company's own records.

Special Audit Topic #5 Advance Payments for Equipment and Construction in Progress

KPMG findings of fact:

- There was no evidence of supplier evaluation and analysis of benefit and cost when consideration of machinery purchase under expansion project as well as the assessment of suppliers' background, experiences and credential.
- Some purchases which had apparently been made as part of the proposed expansion projects had not been installed but were found to be in the production line and outdoor yard.
- During the latter part of the period under the review (2007-2009) with respect to high-value expansion projects there was little segregation of duty and lack of procedures in place to ensure that sufficient supporting documents were obtained and, where appropriate, properly approved to enable transactions to be accurately recorded in the accounting records.

Company's action plan in response:

- Company will develop a standard form equipment procurement contract with the assistance of internal and outside legal counsel. Form contract will indicate Company's required terms of sale for significant equipment orders.
- Once company has technical specification requirements identified for a project, the company will send required specifications along with form contract to several qualified suppliers (represent best-in-class supply) for competitive bidding and technical evaluation.
- Form contract will have forms of buyer protection available to the Company for some portion of the contract price (such as a letter of credit, performance bond and/or liquidated damages) should supplier fail to perform under the contract.
- All major contracts above a certain expenditure threshold will require Board of Director approval.
- All major contracts below the Board of Director required threshold but above a specified materiality threshold will require Executive Committee approval.

Audit Committee Report

To the Shareholders of G Steel Public Company Limited

G Steel Public Company Limited's Audit Committee has been appointed by G Steel Public Company Limited's Board of Directors, with the consent of the resolution of 2010 Annual General Meeting of Shareholders on 29 April 2010, whereby the term in office of an Audit Committee member has been stipulated for a period of 3 years from 29 April 2010 to 29 April 2013. The Committee consists of the independent directors as follows;

- | | | |
|----------------------------|--------------|---------------------------------|
| 1. Prof. Paichitr | Roajnavanich | Chairman of the Audit Committee |
| 2. Assoc. Prof. Prapanpong | Vejjajiva | Audit Committee Member |
| 3. Mr. Preecha | Prakobkit | Audit Committee Member |

The Audit Committee has appointed Ms. Sophit Changaroon, Internal Audit Department Manager, as Secretary of the Audit Committee.

G Steel Public Company Limited's Audit Committee has the duty to verify the Internal Audit Report, give consent on the Report or the disclosure of information and data of the Internal Audit Department and then submit to the Company's Board of Directors for acknowledgement or consideration for a consent or an approval. The duty of the Audit Committee includes the coordination with Finance Department or the Management in case of problems or hindrances, as well as coordination with the independent auditor including recommendations proposed to the Company's directors for improvement of the business efficiency and transparency, complying with the good internal audit system up to international standard and complying with laws and related regulations. The Audit Committee's duty also includes giving recommendations to shareholders on appointment of an independent auditor as well as determining remunerations for the audits.

The fiscal year ending as at 31 December 2010 saw the steel price drastically deviate while the world's economic crisis was severe in continuation from 2009. Besides, the Audit Committee has perceived various observations from the independent auditor and restated the financial statements effecting the change in financial positions by the adjustments as appeared in the Audit Report on the financial statements for the year ended 31 December 2010 whereby the independent auditor certified without any condition since the Company managed in seeking the venture capital investor and the agreement has been signed.

For the venture capital investment with the new investor, the Audit Committee has considered and approved with an observation according to the discussion with the independent financial advisor, that is the conditions for interest payment, loan obligation fee, and premature contract termination fee, as well as management fee the Company and its subsidiaries should further negotiate with the new investor so as for the benefit of shareholders and the Company in due course.

Audit Committee



(Prof. Paichir Roajnavanich)
Chairman of the Audit Committee



(Assoc. Prof. Prapanpong Vejajiva)
Audit Committee Member



(Preecha Prakobkit)
Audit Committee Member

Board _____ of Directors' Responsibility towards Financial Statements

The Company's Board of Directors is responsible for Financial Statements of the Company and its subsidiaries including financial information appearing in the Annual Financial Report. Such Financial Statements are prepared in accordance with the generally accepted accounting standards with the selection of and consistent compliance with appropriate accounting policy. Discretion and estimation had been exercised at the best in the preparation of these statements with sufficient disclosure of significant information in the Notes to the Financial Statements, for the best benefit of shareholders and investors in general transparently.

The Company's Board of Director has caused to avail Risk Management System, to establish and maintain the suitable and effective Internal Control System in order to reasonably ensure that the accounting data are accurate and complete in nature and adequate to maintain the assets as well as to prevent any corruptions or irregularities to occur.

In this respect, the Audit Committee the members of which are independent directors has performed duties in verifying the accounting policy and quality of the financial report, the internal control system, internal audit system, risk management system, as well as making a consideration on data disclosures on the connected transactions which, in this connection, the opinions of the Audit Committee in relation to this matter have appeared in the Internal Audit Committee Report which have already been disclosed in the Annual Report.

Financial Statements of the Company and its subsidiaries are audited by KPMG Phoomchai Audit Ltd., which is the Company's independent auditor. In auditing, the Company's Board of Directors and the Management provide supports on the aspects of various data and documents in order to enable the auditor to audit and express opinions in accordance with the auditing standard which, in this respect, the auditor's opinions will appear in the Report of Independent Auditor shown in the Annual Report.

Yet, the Company's Risk Management Committee had assessed the sufficiency of the internal control system and the connected transactions on 7 February 2011, and the 3/2011 Board of Directors' meeting on 4 March 2011 was of the opinion that the overall Company's internal control system was at the satisfactory level and could reasonably build the confidence that the Financial Statements of the Company and its subsidiaries for the year then ended 31 December 2010 were reliable and adhered to the generally accepted accounting standard and practiced properly in accordance with related law and regulations.



(Vijit Supinit)

Chairman of the Board of Directors



(Ryuzo Ogino)

Co-Chief Executive Officer

Audit Report _____ of Certified Public Accountant

To the Shareholders of G Steel Public Company Limited

I have audited the accompanying consolidated and separate balance sheets as at 31 December 2010 and 2009 (restated) and the related statements of income, changes in equity and cash flows for the year then ended of G Steel Public Company Limited and its subsidiaries (the “Group”), and of G Steel Public Company Limited (the “Company”), respectively. The Company’s management is responsible for the correctness and completeness of information presented in these financial statements. My responsibility is to express an opinion on these financial statements based on my audits.

Except as described in the third paragraph, 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.

During the year ended 31 December 2009, the Company and a subsidiary, G J Steel Public Company Limited (“GJ Steel”), entered into a number of transactions involving the sale of scrap and finished goods, respectively, to third parties and the subsequent offset of GJ Steel’s trade receivables (Baht 1,525 million) and the Company’s other receivables (Baht 2,422 million) from these transactions against amounts owed to the same and other counterparties for machinery purchases. I was unable, during my audit of the above transactions, to establish that the Company and GJ Steel had exercised appropriate internal controls over these transactions, particularly with respect to credit control procedures, approval of credit facilities, the purchasing and tender process (including selection of machinery supplier and cost of machinery purchased) or over the offset transactions generally. I was, therefore, unable to satisfy myself that these transactions had been properly entered into and properly recorded by the Company and GJ Steel. These transactions are disclosed in Notes 7, 9, 13 and 14 to the 2010 financial statements and were the subject of a special audit ordered by the Securities and Exchange Commission (“SEC”), for which the results and the Company’s and GJ Steel’s responses and action plans were publicly disclosed on 7 May 2010.

I issued my audit report to the shareholders on the originally issued 2009 consolidated and separate financial statements of the Group and the Company on 25 February 2010. This report stated that I was unable to express an opinion on those financial statements for the reasons set out in my report. Subsequently, as described in Note 41 to the 2010 financial statements, the Company’s management restated the originally issued 2009 consolidated and separate financial statements (“2009 restated financial statements”). The adjustments made by management in the 2009 restated financial statements were to correct errors in relation to previously under-recorded historical supplier liabilities, provisional losses related to performance guarantees, tax liabilities and the timing of the recognition of a devaluation provision in respect of scrap with soil. I issued an audit report to the shareholders on the 2009 restated financial statements on 23 September 2010. In preparing that report, I audited the adjustments that were applied by management in the restatement of the originally issued 2009 consolidated and separate financial statements and in my opinion those adjustments were appropriate and properly applied. My report dated 23 September 2010 on the 2009 restated financial statements stated that I was unable to express an opinion on those financial statements because of the potentially significant impact on the consolidated and separate financial statements of the matters described in the third paragraph of this report and uncertainty as to whether the Company and

its subsidiaries would be able to continue as going concerns. Note 1 to the 2010 financial statements provides an updated discussion of the Group and the Company's current funding status, in consideration of which my present opinion on the 2009 restated financial statements, as presented herein, is different from the opinion given in my previous audit report dated 23 September 2010.

In my opinion, except for the effects of such adjustments, if any, as may have been necessary in the Group's and the Company's 2009 restated statements of income with regard to the transactions noted in the third paragraph of this report, the consolidated and separate financial statements referred to above present fairly, in all material respects, the financial positions of the Group and the Company as at 31 December 2010 and 2009 (restated) and the results of their operations and their cash flows for the years then ended in accordance with generally accepted accounting principles.

Without changing my opinion on these financial statements, I draw attention to the following matters:

As disclosed in Notes 1.2 and 45 to the 2010 financial statements, on 2 March 2011 ArcelorMittal Netherlands B.V. ("AM") announced that it had signed agreements to invest in new capital to be issued by the Company, resulting in a 40% shareholding in the Company, and a credit facility agreement with the Company and GJ Steel for USD 500 million for working capital, capital expenditure and other corporate purposes. The amount of capital to be invested by AM will be determined closer to the completion of the transaction. Completion of the transaction is conditional on a reduction in the outstanding liabilities of the Company and GJ Steel and a range of other conditions, including regulatory approvals and approval of the shareholders of the Company and GJ Steel. Management is confident that the conditions for AM's investment can be met and that the investment will be successfully completed during 2011 and will develop the Group's and the Company's potential through an operational, financial and commercial turnaround. Note 1.2 details the financial position and results of the Group and the Company as at and for the year ended 31 December 2010, and other circumstances, including default of loan covenants, which would otherwise have given doubt on the Group's and the Company's ability to continue as going concerns. The consolidated financial statements of the Group and separate financial statements of the Company have been prepared on the going concern basis on the assumption that AM's investment in the Group and the Company will be successfully completed.



(Wilai Buranakittisopon)
Certified Public Accountant
Registration No. 3920

KPMG Phoomchai Audit Ltd.
Bangkok
4 March 2011

Balance sheets

G Steel Public Company Limited and its Subsidiaries
As at 31 December 2010 and 2009 (restated)

Assets	Note	Consolidated financial statements		Separate financial statements	
		2010	2009	2010	2009
			(restated)		(restated)
(in Baht)					
<i>Current assets</i>					
Cash and cash equivalents	6, 40	75,183,363	60,575,747	18,178,077	17,658,714
Current investments	40	5,242,964	3,404,626	-	-
Trade accounts receivable	4, 5, 7	644,433,104	1,089,814,024	226,347,305	996,665,965
Amounts receivable from related parties	4	-	-	111,282,981	390,155,972
Inventories	8, 39	3,610,140,104	1,749,663,370	2,572,416,492	691,187,498
Receivables from scrap sales	4, 5, 9	-	-	-	-
Other current assets	4, 10	716,957,543	682,322,795	269,662,942	425,853,210
Total current assets		5,051,957,078	3,585,780,562	3,197,887,797	2,521,521,359
<i>Non-current assets</i>					
Restricted deposits at financial institutions	11, 40	204,208,585	200,440,841	27,493,574	31,725,449
Investments in subsidiaries	12	-	-	3,066,378,647	3,502,800,000
Receivable from related party for offsetting transaction	4	-	-	957,881,336	992,236,875
Long-term loans to and receivables from others		70,506,489	69,740,943	-	-
Advance payment for purchases of property, plant and equipment	4, 13	152,000,000	3,938,128,842	-	3,821,129,342
Property, plant and equipment	14	39,405,924,078	47,833,599,105	18,335,621,074	23,303,508,734
Intangible assets	15	57,473,697	93,387,737	16,599,467	31,454,706
Other non-current assets	4, 16	503,667,962	610,951,640	247,499,853	311,650,709
Total non-current assets		40,393,780,811	52,746,249,108	22,651,473,951	31,994,505,815
Total assets		45,445,737,889	56,332,029,670	25,849,361,748	34,516,027,174

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

Balance sheets

G Steel Public Company Limited and its Subsidiaries As at 31 December 2010 and 2009 (restated)

Liabilities and equity	Note	Consolidated financial statements		Separate financial statements	
		2010	2009 (restated)	2010	2009 (restated)
			(in Baht)		
Current liabilities					
Short-term loans from financial institutions	17	201,259,479	228,828,689	201,259,479	228,828,690
Trade accounts payable	4, 5, 18	10,833,539,918	9,754,213,734	7,815,797,034	6,431,967,517
Current portion of liabilities which were included under rehabilitation plan	23	381,396,930	15,124,429	14,260,686	15,124,430
Current portion of long-term loan from financial institution	17	1,377,326,790	2,132,510,750	-	-
Bonds	17	372,026,932	5,668,531,420	372,026,932	5,668,531,420
Short-term loan from other parties	17	656,635,591	481,114,518	517,971,044	406,774,342
Loan from shareholder	17	405,027,456	-	-	-
Advances received from customers	4, 19	3,590,787,422	3,366,675,190	2,182,592,744	1,784,553,409
Accrued expenses	4	1,408,190,567	1,168,336,410	269,104,149	228,633,858
Accrued interest expenses	20	2,433,579,430	1,555,981,383	1,639,160,707	1,325,002,510
Provisions	21	2,897,603,653	1,977,428,028	1,302,278,245	884,191,549
Other current liabilities	4, 22	1,977,666,259	2,047,983,695	1,254,793,785	1,328,102,688
Total current liabilities		26,535,040,427	28,396,728,246	15,569,244,805	18,301,710,413
Non-current liabilities					
Liabilities which were included under rehabilitation plan - net of current portion	23	529,526,160	952,228,877	529,526,161	562,973,119
Finance lease liabilities	17	1,280,781	-	1,280,781	-
Bonds	17	669,656,810	-	669,656,810	-
Total non-current liabilities		1,200,463,751	952,228,877	1,200,463,752	562,973,119
Total liabilities		27,735,504,178	29,348,957,123	16,769,708,557	18,864,683,532

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

Balance sheets

G Steel Public Company Limited and its Subsidiaries
As at 31 December 2010 and 2009 (restated)

		Consolidated financial statements		Separate financial statements	
	Note	2010	2009 (restated)	2010	2009 (restated)
		(in Baht)			
Equity					
Share capital	24				
Authorised share capital		18,960,000,000	13,860,000,000	18,960,000,000	13,860,000,000
Issued and paid-up share capital		16,481,695,198	13,760,435,198	16,481,695,198	13,760,435,198
Surplus on ordinary shares					
Share premium	25	1,145,125,214	1,976,477,530	1,145,125,214	1,976,477,530
Premium on capital reduction		206,307,094	206,307,094	206,307,094	206,307,094
Retained earnings (deficits)					
Appropriated-legal reserve	25	763,976,886	763,976,886	763,976,886	763,976,886
Unappropriated		(8,759,940,632)	1,353,852,912	(9,517,451,201)	(1,055,853,066)
Total equity attributable to equity holders		9,837,163,760	18,061,049,620	9,079,653,191	15,651,343,642
Minority interest		7,873,069,951	8,922,022,927	-	-
Total equity		17,710,233,711	26,983,072,547	9,079,653,191	15,651,343,642
Total liabilities and equity		45,445,737,889	56,332,029,670	25,849,361,748	34,516,027,174

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

Statements of income

G Steel Public Company Limited and its Subsidiaries

For the years ended 31 December 2010 and 2009 (restated)

		Consolidated financial statements		Separate financial statements	
	Note	2010	2009	2010	2009
			(restated)		(restated)
		(in Baht)			
Income					
Revenue from sale of goods and rendering of production services	4, 5, 27	22,904,289,734	21,951,676,472	7,856,484,328	9,839,959,917
Revenue from rendering of services	4	-	-	-	402,995,660
Reversal of bad and doubtful debts expense	31	133,732,485	-	-	-
Reversal of allowance for devaluation of inventories	8	902,667,249	3,888,479,364	913,693,213	2,076,078,095
Reversal of provision for loss on purchase orders for undelivered raw material	21	349,964,810	-	221,946,374	-
Net foreign exchange gain		2,057,434,608	786,224,675	1,237,462,302	562,654,685
Gain from debt restructuring	17	3,187,595,196	-	3,187,595,196	-
Other income	4, 5	170,411,875	436,212,992	122,179,494	252,622,707
Total income		29,706,095,957	27,062,593,503	13,539,360,907	13,134,311,064
Expenses					
Cost of sale of goods and rendering of production services	4, 5, 8	23,295,293,320	30,981,178,294	8,480,825,438	13,674,789,085
Selling expenses	5, 28	279,517,611	309,783,442	96,072,035	151,035,660
Administrative expenses	4, 5, 29	1,407,513,552	1,389,269,212	821,228,128	553,939,729
Management benefit expenses	30	75,531,170	68,052,622	46,076,476	32,753,819
Loss on purchase orders for undelivered raw materials	21	-	476,165,899	-	348,147,462
Losses related to performance guarantee	41	58,199,496	620,007,048	-	-
Bad and doubtful debts expense	31	-	1,029,047,944	62,121,017	4,356,951,487
Loss on impairment of assets	32	11,267,088,073	1,715,383,448	8,983,356,797	1,906,992,628
Other expenses	33	3,238,690,601	1,955,189,139	2,053,623,598	682,555,919
Total expenses		39,621,833,823	38,544,077,048	20,543,303,489	21,707,165,789
Loss before finance costs		(9,915,737,866)	(11,481,483,545)	(7,003,942,582)	(8,572,854,725)
Finance costs	35	(2,251,663,129)	(2,058,114,955)	(1,457,655,553)	(1,178,357,649)
Loss for the year		(12,167,400,995)	(13,539,598,500)	(8,461,598,135)	(9,751,212,374)
Attributable to :					
Equity holders of the Company		(10,113,793,544)	(10,314,625,385)	(8,461,598,135)	(9,751,212,374)
Minority interests		(2,053,607,451)	(3,224,973,115)	-	-
Loss for the year		(12,167,400,995)	(13,539,598,500)	(8,461,598,135)	(9,751,212,374)
Basic loss per share	38	(0.73)	(0.75)	(0.61)	(0.71)

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

Statements of changes in equity

G Steel Public Company Limited and its Subsidiaries

For the years ended 31 December 2010 and 2009 (restated)

Consolidated financial statements									
	Issued and paid-up share capital	Surplus on ordinary shares		Fair value changes on investment	Retained earnings (deficits)		Total equity attributable to equity holders of the Company	Minority interests	Total
		Share premium	Premium on capital reduction		Legal reserve	Unappropriated			
						(in Baht)			
Balance as at 1 January 2009	13,760,435,198	1,976,477,530	206,307,094	3,341,963	763,976,886	13,637,082,018	30,347,620,689	12,150,383,766	42,498,004,455
Cumulative effects of restatement of financial statements	-	-	-	-	-	(1,968,603,721)	(1,968,603,721)	-	(1,968,603,721)
Restated balance	13,760,435,198	1,976,477,530	206,307,094	3,341,963	763,976,886	11,668,478,297	28,379,016,968	12,150,383,766	40,529,400,734
Available for sale investments									
Net change in fair value transferred to equity	-	-	-	(3,341,963)	-	-	(3,341,963)	(3,387,724)	(6,729,687)
Net income (expense) recognised directly in equity	-	-	-	(3,341,963)	-	-	(3,341,963)	(3,387,724)	(6,729,687)
Loss for the year	-	-	-	-	-	(10,314,625,385)	(10,314,625,385)	(3,224,973,115)	(13,539,598,500)
Balance as at 31 December 2009 (restated)	13,760,435,198	1,976,477,530	206,307,094	-	763,976,886	1,353,852,912	18,061,049,620	8,922,022,927	26,983,072,547
Balance as at 1 January 2010	13,760,435,198	1,976,477,530	206,307,094	-	763,976,886	5,056,522,215	21,763,718,923	9,835,534,208	31,599,253,131
Cumulative effects of restatement of financial statements	-	-	-	-	-	(3,702,669,303)	(3,702,669,303)	(913,511,281)	(4,616,180,584)
Restated balance	13,760,435,198	1,976,477,530	206,307,094	-	763,976,886	1,353,852,912	18,061,049,620	8,922,022,927	26,983,072,547
Sale of shares in subsidiary to minority shareholders	-	-	-	-	-	-	-	943,865,332	943,865,332
Conversion of debts to share capital	2,521,260,000	(731,165,400)	-	-	-	-	1,790,094,600	-	1,790,094,600
Issue of ordinary shares to pay for consulting fee	200,000,000	(100,186,916)	-	-	-	-	99,813,084	-	99,813,084
Issue of ordinary shares of subsidiary to minority interests	-	-	-	-	-	-	-	284,580	284,580
Issue of warrants of subsidiary to minority interests	-	-	-	-	-	-	-	60,504,563	60,504,563
Net income (expense) recognised directly in equity	2,721,260,000	(831,352,316)	-	-	-	-	1,889,907,684	1,004,654,475	2,894,562,159
Loss for the year	-	-	-	-	-	(10,113,793,544)	(10,113,793,544)	(2,053,607,451)	(12,167,400,995)
Balance as at 31 December 2010	16,481,695,198	1,145,125,214	206,307,094	-	763,976,886	(8,759,940,632)	9,837,163,760	7,873,069,951	17,710,233,711

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

Statements

of changes in equity

G Steel Public Company Limited and its Subsidiaries

For the years ended 31 December 2010 and 2009 (restated)

Separate financial statements						
	Note	Surplus on ordinary shares		Retained earnings (deficits)		Total equity attributable to equity holders of the Company
		Issued and paid-up share capital	Share premium (Discount)	Premium on capital reduction	Legal reserve	
(in Baht)						
Balance at 1 January 2009		13,760,435,198	1,976,477,530	206,307,094	763,976,886	27,350,809,329
Cumulative effects of restatement of financial statements	41	-	-	-	-	(1,948,253,313)
Restated balance		13,760,435,198	1,976,477,530	206,307,094	763,976,886	25,402,556,016
Loss for the year		-	-	-	-	(9,751,212,374)
Balance at 31 December 2009 (restated)		13,760,435,198	1,976,477,530	206,307,094	763,976,886	15,651,343,642
Balance at 1 January 2010		13,760,435,198	1,976,477,530	206,307,094	763,976,886	18,418,592,735
Cumulative effects of restatement of financial statements	41	-	-	-	-	(2,767,249,093)
Restated balance		13,760,435,198	1,976,477,530	206,307,094	763,976,886	15,651,343,642
Conversion of debts to share capital	24, 25	2,521,260,000	(731,165,400)	-	-	1,790,094,600
Issue of ordinary shares to pay for consulting fee	24, 25	200,000,000	(100,186,916)	-	-	99,813,084
Net income (expense) recognised directly in equity		2,721,260,000	(831,352,316)	-	-	1,889,907,684
Loss for the year		-	-	-	-	(8,461,598,135)
Balance at 31 December 2010		16,481,695,198	1,145,125,214	206,307,094	763,976,886	9,079,653,191

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

Statements of cash flows

G Steel Public Company Limited and its Subsidiaries

For the years ended 31 December 2010 and 2009 (restated)

		Consolidated		Separate	
		financial statements		financial statements	
	Note	2010	2009	2010	2009
			(restated)		(restated)
			(in Baht)		
<i>Cash flows from operating activities</i>					
Loss for the year		(12,167,400,995)	(13,539,598,500)	(8,461,598,135)	(9,751,212,374)
<i>Adjustments for</i>					
Depreciation and amortisation		1,419,771,599	1,655,234,285	602,811,266	679,099,684
Loss on impairment of assets	32	11,267,088,073	1,715,383,448	8,983,356,797	1,906,992,628
Interest income		(5,014,311)	(3,660,844)	(65,852,585)	(106,594,256)
Finance costs		2,251,663,129	2,058,114,955	1,457,655,553	1,178,357,649
(Reversal of) bad and doubtful debts expense	31	(133,732,485)	1,029,047,944	62,121,017	4,356,951,487
Reversal of allowance for devaluation of inventories		(902,667,249)	(3,888,479,364)	(913,693,213)	(2,076,078,095)
(Reversal of) loss on confirmed purchase orders for raw material		(349,964,810)	476,165,899	(221,946,374)	348,147,462
Unrealised gain on exchange		(1,685,837,876)	(775,421,340)	(1,129,410,702)	(538,321,384)
Discount of liabilities included under the rehabilitation plan		-	(127,631,185)	-	(127,631,185)
Loss on write-off of tax benefit	33	-	947,772,631	-	-
Gain from sale of other long-term investment		-	(2,680,324)	-	-
Loss from sale of investment in subsidiary	33	613,159,132	-	-	-
Loss on contract termination	33	289,491,303	-	289,491,303	-
Provision for tax - related liabilities	33	822,364,959	802,769,092	350,541,767	477,908,506
Losses related to performance guarantees		58,199,496	620,007,048	-	-
Loss from disposal of assets		68,954,997	5,893,681	30,163,733	746,312
Loss on purchase of inferior raw material	33	100,084,678	-	-	-
Gain from debt restructuring	17	(3,187,595,196)	-	(3,187,595,196)	-
Consulting fee for bonds restructuring		90,000,000	-	90,000,000	-
		(1,451,435,556)	(9,027,082,574)	(2,113,954,769)	(3,651,633,566)
<i>Changes in operating assets and liabilities</i>					
Trade accounts receivable		(216,811,121)	281,568	187,851,527	(90,981,506)
Amount receivable from related parties		(1,446,907)	-	264,183,476	(544,040,964)
Inventories		(957,809,485)	6,706,440,255	(967,535,781)	2,134,784,288
Receivables from scrap sales		825,000	317,000,921	825,000	317,000,921
Other current assets		(124,459,689)	856,570,339	67,874,334	56,389,158
Receivables from others		(765,546)	-	-	-
Other non-current assets		(92,040,487)	(160,077,184)	(35,270,925)	(42,074,016)
Trade accounts payable		1,943,696,102	2,728,527,378	2,013,135,560	1,945,656,244
Advances received from customers		224,112,232	(200,502,320)	398,039,335	(171,167,994)
Accrued expenses		187,064,248	851,653,851	40,470,291	558,922,022
Other current liabilities		727,758,083	367,057,240	146,723,101	(32,941,541)
Income tax recovered		-	1,158,246	-	1,158,246
Income tax paid		(1,492,095)	(983,273)	(1,446,907)	(942,184)
Net cash flows provided by operating activities		237,194,779	2,440,044,447	894,242	480,129,108

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

Statements

of cash flows (continued)

G Steel Public Company Limited and its Subsidiaries

For the years ended 31 December 2010 and 2009 (restated)

		Consolidated financial statements		Separate financial statements	
	Note	2010	2009	2010	2009
			(restated)		(restated)
			(in Baht)		
Cash flows from investing activities					
Interest received		5,017,360	4,415,555	64,705,206	683,827
Increase in current investment		(1,838,338)	(2,568,886)	-	-
(Increase) decrease in restricted deposits					
at financial institutions		(3,767,744)	347,042,511	4,231,875	406,390,476
Purchase of property, plant and equipment		(38,449,895)	(105,892,860)	(30,490,384)	(30,551,611)
Proceeds from sales of property, plant and equipment		1,154,979	-	1,154,979	-
Purchase of intangible assets		(26,467,622)	(836,177)	(9,824,838)	-
Proceeds from receivable from					
related party for offsetting transaction		-	-	67,856,686	-
Loans to subsidiary			-	(23,100,000)	(704,457,852)
Advance for purchase of property, plant and equipment		(47,000,000)	(144,195,444)	-	(19,712,791)
Proceeds from sale of other long-term investment		-	21,908,000	-	-
Payment for investing in subsidiaries		-	-	(41,446,121)	-
Proceeds from sales of investment in subsidiary		330,706,200	-	-	-
Net cash flows provided by (used in) investing activities		219,354,940	119,872,699	33,087,403	(347,647,951)
Cash flows from financing activities					
Finance costs paid		(311,331,408)	(1,276,179,378)	(111,145,124)	(517,955,683)
Payment of liabilities which were included under					
rehabilitation plan		(7,247,045)	(12,651,607)	(7,247,045)	(12,651,608)
Proceeds from short-term loans from financial institutions		-	1,035,355,334	-	157,709,202
Repayment of short-term loans from financial institutions		(10,426,879)	(2,421,708,404)	(10,426,879)	(239,452,842)
Proceeds from short-term loans from related parties		-	-	737,570	-
Proceeds from short-term loans from other parties		2,059,299,801	1,204,974,955	135,000,000	569,528,499
Repayment of short-term loans from other parties		(1,897,739,577)	(784,270,298)	(40,000,000)	(143,219,808)
Repayment of long-term loans from financial institutions		(335,168,000)	(399,057,746)	-	-
Repayment of finance lease liabilities		(380,804)	-	(380,804)	-
Proceeds from issue of ordinary shares of subsidiary to					
minority interests		284,580	-	-	-
Proceeds from issue of warrants of subsidiary to					
minority interests		60,504,563	-	-	-
Net cash flows used in financing activities		(442,204,769)	(2,653,537,144)	(33,462,282)	(186,042,240)
Net increase (decrease) in cash and cash equivalents		14,344,950	(93,619,998)	519,363	(53,561,083)
Cash and cash equivalents at beginning of year		60,575,747	157,112,130	17,658,714	71,219,797
Effect from exchange rate at end of year		262,666	(2,916,385)	-	-
Cash and cash equivalents at end of year		75,183,363	60,575,747	18,178,077	17,658,714

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

Statements of cash flows (continued)

G Steel Public Company Limited and its Subsidiaries
For the years ended 31 December 2010 and 2009 (restated)

		Consolidated financial statements		Separate financial statements	
	Note	2010	2009 (restated)	2010	2009 (restated)
		(in Baht)			
<i>Non-cash items</i>					
Conversion of bonds to share capital	17, 24	1,790,094,600	-	1,790,094,600	-
Issue of ordinary shares to pay for consulting fee (including VAT)	24	99,813,084	-	99,813,084	-
Offset of receivables from scrap sales and payables from purchase of machineries	9	434,554,936	-	434,554,936	-
Transfer of receivables from scrap sales to receivable from related party for offsetting transaction	4(i), 9	33,501,147	-	33,501,147	-
Offset of trade accounts receivables and payables from purchase of machineries	4(h)	353,290,000	-	-	-
Transfer of long-term loan from financial institution and accrued interest expense to loan from shareholder	17	405,027,456	-	-	-
Purchase of vehicle under finance lease liabilities		2,190,000	-	2,190,000	-
Purchase of machineries by off-setting with trade accounts receivable	7, 14	-	1,524,977,150	-	-
Purchase of machineries by off-setting with other receivables from scrap sales	9, 14	-	2,434,430,662	-	1,442,193,787
Transfer other receivables from scrap sales to amount receivable from related parties	9, 14	-	-	-	992,236,875

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

Notes

to the financial statements

G Steel Public Company Limited and its Subsidiaries

For the years ended 31 December 2010 and 2009 (restated)

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G Steel Public Company Limited and its Subsidiaries
For the years ended 31 December 2010 and 2009 (restated)

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 4 March 2011. For all figures referenced as “restated”, please refer to Note 41 for details of the restatement adjustments prepared and applied by management.

1 General information and going concern

1.1 General information

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

Head office : 88, Paso Tower, 18th Floor, Silom Road, Suriyawong, Bangrak, Bangkok

Factory : 55 Moo 5, SSP Industrial Estate, Tambol Nonglalog, Amphur Bankhai, Rayong 21120

The Company was listed on the Stock Exchange of Thailand (the “SET”) on 25 January 2006.

The Company’s major shareholders during the financial year were Superior Overseas (Thailand) Co., Ltd. (18.33% shareholding) and the Khunying Patama Leeswadtrakul Group (10.84% shareholding).

The principal activities of the Company are the manufacturing and distribution of hot rolled coil steel products.

Details of the Company’s subsidiaries as at 31 December 2010 and 2009 were as follows:

Name of the entity	Type of business	Country of incorporation	Ownership interest (%)	
			2010	2009
<i>Direct subsidiaries</i>				
Siam Professional Holdings Co., Ltd. (“SPH”)	Investment holdings company	Thailand	99.99	99.99
G J Steel Public Company Limited (“GJ Steel”) (held by Oriental Access Co., Ltd. 21.68 %)	Manufacture and distribution of hot rolled coil steel products	Thailand	44.12	49.66
GS Notes Holding Company Limited (“GS Notes Co”)	Special-purpose restructuring entity	Thailand	99.99	-
<i>Indirect subsidiaries</i>				
Oriental Access Co., Ltd. (“OAC”) (held by SPH 99.98%)	Consulting service and investing	Thailand	99.97	99.97

On 4 February 2010, the Company's Board of Directors appointed Turnaround Steel Management LLC ("TSM") to assist the Company and its subsidiaries (including GJ Steel) in its business restructuring and recapitalization. In conjunction with the appointment of TSM, the Company's Board of Directors appointed Mr. Ahab Garas to the position of Co-Chief Executive Officer and Mr. Ari Levy to the position of Chief Financial Officer in order to ensure that appropriate levels of internal controls have been reinstated and in some cases, strengthened. Mr. Garas and Mr. Levy were also appointed Executive Directors to the Board of Directors of the Company. Mr. Levy was likewise appointed to the Board of Directors of GJ Steel, and Mr. Garas was appointed as an advisor to the Board of Directors of GJ Steel.

The Company and GJ Steel are currently engaged in efforts to refinance and restructure their operations. These activities have been ongoing following the appointment of the new management team, as noted above, in February 2010. Please see Note 1.3 for a further statement concerning the Company's and GJ Steel's restructuring efforts.

The Company and its subsidiaries are hereafter referred to as the "Group".

1.2 Going concern

The Group and the Company made losses for the year ended 31 December 2010 of Baht 12,167 million and Baht 8,462 million, respectively (2009 (restated): Baht 13,540 million and Baht 9,751 million, respectively). As at 31 December 2010 net current liabilities exceeded net current assets by Baht 21,483 million and Baht 12,371 million, respectively (2009 (restated): Baht 24,811 million and Baht 15,780 million, respectively), with many of its trade accounts payable to suppliers being significantly overdue for payment. The Group and the Company are experiencing severe liquidity problems due to the limited working capital funding facilities currently in place, with those that are currently in place bearing punitive capital costs. The Group needs to generate sufficient operating cash flows to meet its working capital requirements and operating obligations.

As at 31 December 2009, OAC was unable to make loan principal installment payments due and payable totaling approximately Baht 2,133 million (USD 63.6 million). Subsequent to 31 December 2009, OAC was informed that the loan facility provider (the "Lenders") had enforced a shareholder pledge of property reducing the balance OAC owed the Lenders to Baht 1,833 million (USD 55.5 million). On 1 February 2010, OAC and its lenders entered into the standstill agreement as described in Note 17, which also provides further details of the pledge enforcement. The principal balance due to the Lenders, exclusive of interest and fees, as at 31 December 2010 amounted to Baht 1,377 million (USD 45.5 million).

Without the announcement referred to in the following paragraph, these circumstances would have given doubt on the Group's and the Company's ability to continue as going concerns and to realize the carrying values of their assets. Refer in particular to Notes 13 and 14 which disclose the key assumptions made by management in valuing the Group and the Company's property, plant and equipment and assets under construction and installation. The consolidated and separate financial statements as presented do not include any adjustments that would be required (including any which may be required in relation to the valuation of the Company's or its subsidiaries' assets) should the Group and the Company be unable to complete the conditions precedent to the investment agreements noted in the following paragraph or generate sufficient cash flows and/or raise additional financing from other sources in order to enable them to continue as going concerns.

Company management has obtained an investment commitment from ArcelorMittal Netherlands B.V. ("AM") who is seeking to complete an investment in the Group during 2011. Commercial terms have been agreed and equity subscription agreements and a loan agreement documenting the proposed

investment were entered into by the Group and AM on 1 March 2011. Refer to Note 45.1 for further details of these agreements.

In addition, the Group has completed discussions with several of its major trade creditors concerning a rescheduling of amounts owed to them via an extended repayment plan (as detailed in Note 45.2). As a result of the Group's rescheduling of these liabilities, a significant portion of the liabilities listed as current liabilities on the Group's balance sheet as at 31 December 2010 will be reclassified as long term liabilities during the three-month period ending 31 March 2011.

Management is confident that AM's investment will be successfully completed during 2011 and will develop the Group and the Company's potential through an operational, financial and commercial turnaround. The financial statements of the Group and the Company have been prepared on a going concern basis on the assumption that AM's investment, and the restructuring of the amounts due to the major trade creditors as mentioned above, will be successfully completed during 2011.

1.3 Refinancing and restructuring

(a) Shareholder guarantee

In an effort to facilitate the recapitalization of the Group and to enhance the Group's equity value, on 17 May 2010 the Company's Board of Directors approved the execution of an agreement negotiated between G Steel's new management and G Steel's lead shareholder (the "Lead Shareholder") covering the following salient points:

- From time to time and in the ordinary course of business operations, the Company and GJ Steel sold goods to certain customers. As a result of the financial crisis and the unprecedented volatility in commodity prices which occurred in late 2008, the customers have not yet paid the Company and GJ Steel for such goods.
- The receivables from these customers have been outstanding and overdue and, as such, the Company and GJ Steel have fully provisioned the unpaid receivables. The Company and GJ Steel are entitled to receive payment in full from the customers for the previously provisioned receivables and intend to vigorously pursue all legal remedies and rights available under the laws of the Kingdom of Thailand. As at 31 December 2010, the gross receivables due to the Company was Baht 846 million and due to GJ Steel was Baht 445 million.
- In order to enhance the Group's equity value as its embarks on a recapitalization program, the Lead Shareholder has entered into an agreement with the Company and GJ Steel which provides for a three-year irrevocable guarantee in favour of the Company and GJ Steel covering full recovery of the aforementioned unpaid receivables.
- Additionally, in order to facilitate a complete recapitalization of the Company and GJ Steel, the Lead Shareholder has agreed to allow professional management to operate the Company and to not be involved with the day-to-day operations of the Company or GJ Steel for a period of five (5) years.

The Lead Shareholder agreed to cause a Company shareholder ("Shareholder 1") and another Company shareholder ("Shareholder 2") to deposit 210 million and 760 million of their shares, respectively, in the Company as collateral with a custodian designated by the Company (the "Agent") as approved by the Board of Directors of the Company and GJ Steel. The Shareholder 2 shares were deposited for the benefit of GJ Steel. The Shareholder 1 shares were deposited for the benefit of the Company.

Additionally, Shareholder 1 and Shareholder 2 have also agreed to pledge their rights to receive a total of 1,500 million shares in the Company to the Agent as follows:

- (i) Shareholder 1 - Having had its Company shares in the Company force-sold to provide liquidity to the Lenders, it is intended that Shareholder 1 will receive an equivalent number of shares (850 million) from OAC. Shareholder 1 has agreed to provide these newly-issued shares to the Agent within 5 days of them being issued by OAC. In addition, Shareholder 1 owns 150 million shares in the Company which are also currently pledged to the Lenders, and these have been agreed to be provided to the Agent within 5 days of being released from collateral by the Lenders.
- (ii) Shareholder 2 – This shareholder has pledged 500 million shares to the Lenders as collateral for OAC's debt facilities. Shareholder 2 intends to obtain the Lender's permission to release these shares from the Lender's collateral, and within 5 days following release of these shares, provide them to the Agent.

The Board of Directors of the Company and GJ Steel agreed to accept the collateral package in support of the previously entered guarantee. The above-outlined collateral package was confirmed deposited in its entirety with the Agent on 10 September 2010. The Company's and GJ Steel's management has decided not to recognize any asset or benefit to the Group in its financial statements in respect of this guarantee, given the uncertainty over appropriate valuation principles to adopt in respect of the guarantee. As such, upon the earlier of (a) the closing of the transaction with AM, (b) when repayment is obtained from these customers or (c) when the guarantee is exercised at the end of the three-year period, the Company and GJ Steel will reverse allowances held in respect of guaranteed doubtful debts to the assessed value of the guarantee (under (a)), repayments received (under (b)) or collateral executed (under (c)), respectively.

(b) Bonds Restructuring

On 29 July 2010, the Company's Board of Directors announced its approval of the following:

- The establishment of a 99.99% owned subsidiary, GS Notes Co., with a registered capital of Baht 1 million. The objective of GS Notes Co is to restructure the Bonds (as defined in Note 17);
- An increase in the Company's registered capital from Baht 13,860 million to Baht 18,960 million via the authorization of an additional 5,100 million shares of the Company. Through the capital increase, the Company will have the authority to issue up to 5,100 million shares of the Company to GS Notes Co via a private placement transaction. GS Notes Co would have the ability to use up to 5,100 million shares of the Company to exchange for the Bonds (the "Bond Exchange Program"). The Bond Exchange Program supersedes the Company's restructuring plans announced on 29 March 2010 (as disclosed in Note 1.1 to the Company's financial statements for the period ended 31 March 2010); and
- The scheduling of an extraordinary general meeting of shareholders to be held on 3 September 2010 to approve the proposed capital increase of the Company and share allocation to GS Notes Co.

GS Notes Co was registered with the Ministry of Commerce on 9 August 2010.

On 25 August 2010, the Company's Board of Directors approved additional resolutions concerning GS Notes Co as follows:

- An allocation of up to 200 million shares of the Company to a financial advisor assisting with the Bonds Exchange Program.

- The cancellation of the previously announced extraordinary general meeting of shareholders on 3 September 2010 and the immediate rescheduling of such meeting on 29 September 2010.

On 9 September 2010, the Company issued a notice to the holders of the Bonds and provided the following information:

- A meeting of the holders of the Bonds will take place on 1 October 2010 (the “Meeting”).
- At the Meeting, the holders of the Bonds will be requested to pass an extraordinary resolution (the “Resolution”) which would:
 1. amend and reduce the aggregate principal amount of the Bonds from USD 170 million to USD 68 million.
 2. waive all accrued interest on the Bonds
 3. revise the Bonds maturity date from 4 October 2010 to 4 October 2015
 4. revise the coupon on the Bonds from 10.50% per annum to 1.00% per annum.
 5. remove certain financial and operational covenants, including the negative pledge.
- Provided that the Resolution is passed by the holders of the Bonds, the holders would be entitled to receive shares in the Company for 50% of the aggregate principal of the Bonds (prior to the reduction contemplated by the Resolution) using a ratio of 30 Company shares to be received for each USD 1 of Bonds’ face value redeemed.

On 4 October 2010, the Company announced that bondholders representing 34.5% of the outstanding principal of the Bonds attended the meeting. As the meeting required participation of bondholders representing at least 90% of the outstanding principal of the Bonds per the indenture, the meeting was immediately adjourned due to lack of a quorum. No official subsequent meeting (the “Adjourned Meeting”) date was set. According to the Bonds’ indenture, the Adjourned Meeting requires participation of bondholders representing at least 50% of the outstanding principal of the Bonds. An Adjourned Meeting must be scheduled no less than 14 days but no more than 42 days subsequent to the Meeting.

On 15 October 2010, the Company announced that it was cancelling the Adjourned Meeting in favour of a new first meeting (the “New Meeting”) of bondholders scheduled on 8 November 2010. The cancellation was required as a result of a new equity exchange proposal (the “New Equity Proposal”) being offered to the bondholders and a new proposal concerning the extraordinary resolution (the “New Resolution”). The details of the New Resolution and the New Equity Proposal are summarized as follows:

- The aggregate principal of the Bonds would be reduced to USD 68 million as originally proposed.
- All accrued interest would be waived as originally proposed.
- The maturity date on the Bonds would be revised from 4 October 2010 to 4 October 2015 as originally proposed.
- The coupon on the reduced principal of the Bonds would be reduced from 10.5% per annum to 3.00% per annum.
- The operational and financial covenants, including the negative pledge, would be removed.

If the New Resolution is passed, bondholders will be offered the following New Equity Proposal:

1. Bondholders would be entitled to receive shares in the Company for 65% of the aggregate principal of the Bonds (prior to the reduction contemplated by the New Resolution) using a ratio of 30 Company shares to be received for each USD 1 of face value redeemed.
2. The remaining 35% of the participating bondholders' principal would be subject to the treatment as outlined in the New Resolution (i.e., subject to a 60% reduction in principal, maturity date extended to 4 October 2015, reduced interest rate).
3. 35.71% of the reduced principal would be paid by the Company to the bondholders on 30 June 2011. To the extent that the Company could not make this payment in cash, the Company could satisfy the payment by offering the bondholders new shares in the Company equal to 50 shares per USD 1 of principal due on 30 June 2011.

The New Meeting was conducted on 8 November 2010. Following the New Meeting, the Company announced that bondholders representing 55.38% of the outstanding principal of the Bonds attended the meeting. As the meeting required participation of bondholders representing at least 90% of the outstanding principal of the Bonds per the indenture, the meeting was immediately adjourned due to lack of a quorum. The official subsequent meeting (the "Second Adjourned Meeting") date was scheduled for 22 November 2010. According to the Bonds' indenture, the Second Adjourned Meeting requires participation of bondholders representing at least 50% of the outstanding principal of the Bonds.

The Second Adjourned Meeting was conducted on 22 November 2010. The Bondholders representing 52.07% of the outstanding principal of the Bonds attended the meeting which achieved the necessary quorum of at least 50% of the outstanding principal of the Bond. The Second Adjourned Meeting passed a resolution to approve the New Equity Proposal as described above by 95% of total attendants.

During 30 September to 29 November 2010, the Bonds' tender offer period, 28 Bondholders tendered the Bonds with principal amount of USD 84 million or equivalent to 49.44% of the total principal amount of the Bonds.

On 8 December 2010, GS Notes Co allocated and issued 252 million shares and 20 million shares to the Bondholders and the financial advisors for the Bond Exchange Program, respectively.

On 9 December 2010, the bondholders and financial advisors swapped their GS Notes Co's shares with the Company's shares at the ratio of 10 Company's shares to 1 GS Notes Co's share. The Bonds acquired by GS Notes Co's tender offer were subsequently cancelled. Of the Bond principal that remained following the tender offer, USD 86 million, the holders received a 60.0% principal reduction to their principal. Therefore, following the Bond restructuring, USD 34 million of Bond principal remains a Company liability. With respect to the USD 34 million principal that remains outstanding:

- The Bonds' date of maturity has been reset to 4 October 2015
- The interest has been reduced 3.0% per annum and is paid semi-annually on 30 June and 30 December each year.

Refer to Note 24 related to the allocation of the Company's shares to the Bondholders and financial advisors.

1.4 Results of Special Audit

On 25 January 2010, the SEC ordered the Company and GJ Steel to provide special audit reports in respect of the following issues: sales under credit terms and the acquisition of machineries; the recognition of allowance for deterioration of raw materials; construction in process with no progress; and advance payments for the purchase of machineries. Both companies submitted their reports to the SEC on 7 May 2010 and these reports, along with management's response to the reports, are publicly available through the SET's electronic system. Company management is continuing to review the Company's internal control framework with respect to the reinstatement and strengthening of necessary internal controls.

2 Basis of preparation of the financial statements

The financial statements issued for Thai reporting purposes are prepared in the Thai language. This English translation of the financial statements has been prepared for the convenience of readers not conversant with the Thai language.

The financial statements are prepared and presented in Thai Baht. All financial information presented in Thai Baht has been rounded in the notes to financial statements to the nearest million (unless otherwise stated). They are prepared on the historical cost basis except as stated in the accounting policies.

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

During 2010, the FAP announced the re-numbering of the following TFRS.

Former no.	Revised no.	Topic
TAS 11	TAS 101	Doubtful Account and Bad Debts
TAS 26	TAS 102	Income Recognition For Real Estate Business
TAS 27	TAS 103	Disclosures in the Financial Statements of Banks and Similar Financial Institutions
TAS 34	TAS 104	Accounting for Troubled Debt Restructuring
TAS 40	TAS 105	Accounting for Investment in Debt and Equity Securities
TAS 42	TAS 106	Accounting For Investment Companies
TAS 48	TAS 107	Financial Instruments Disclosure and Presentation

The Group has adopted the revised Framework for the Preparation and Presentation of Financial Statements (revised 2009), which was issued by the FAP during 2010 and effective on 26 May 2010. The adoption of the revised framework does not have any material impact on the Company's financial statements.

The FAP has issued during 2010 a number of new and revised TFRS which are not currently effective and have not been adopted in the preparation of these financial statements. These new and revised TFRS are disclosed in Note 46.

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

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

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

Note 7 & 9	Allowance for doubtful accounts
Note 8	Allowance for devaluation of inventories
Note 12	Allowance for impairment of investment in subsidiaries
Note 13	Allowance for impairment of advance payment for purchases of property, plant and equipment
Note 14	Appraisal valuations and allowance for impairment of property, plant and equipment and impairment
Note 21 & 44	Provisions and Contingent liabilities
Note 40	Valuation of financial instruments

3 Significant accounting policies

(a) Basis of consolidation

The consolidated financial statements relate to the Group and the Group's interests in associates.

Business combinations

Business combinations are accounted for under the purchase method. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group.

Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. The consolidated financial statements include the Group's share of the income, expenses and equity movements of associates, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currencies

Foreign currency transactions

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

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Thai Baht at the foreign exchange rates prevailing at that date. Foreign exchange differences arising on transaction are recognised in the statement of income.

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

(c) Cash and cash equivalents

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

(d) Trade and other accounts receivable

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

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

(e) Inventories

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

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

Net realisable value is the estimated selling price in the ordinary course of business less the estimated conversion and selling costs.

The Group makes allowance for deteriorated, damaged, obsolete and slow-moving inventories.

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

(f) Investments

Investments in subsidiaries

Investments in subsidiaries in the separate financial statements of the Company are accounted for using the cost method.

Other investments

Other long-term investments represent time deposits with banks which have been pledged as collateral for credit facilities obtained from the banks. The Group treats these investments as general investments and carries them at cost.

Disposal of investments

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the statement of income.

(g) Property, plant and equipment

Owned assets

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

Depreciation

Depreciation is charged to the statement of income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Machinery is, however, depreciated on a production unit basis. The estimated useful lives assumed by management in preparing the financial statement are as follows:

Buildings and improvements	5 and 20 years
Machinery and equipment	Production unit basis and straight line basis over 5, 10 and 25 years
Office equipment, furniture and fixtures	5 years
Vehicles	5 years

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

(h) Intangible assets

Intangible assets represent cost of computer software and cost of a production licence (licence). Intangible assets that are acquired by the Group, which have finite useful lives, are stated at cost less accumulated amortisation and impairment losses. Other intangible assets are amortised in the statement of income on a straight-line basis over their estimated useful lives from the date that the asset is available for use. The estimated useful lives are as follows:

Cost of computer software licence	10 years
Cost of licence for production	25 years

(i) *Deferred costs of rolls*

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

(j) *Impairment*

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

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

Calculation of recoverable amount

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

Reversals of impairment

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

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

(k) *Interest-bearing liabilities*

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

(l) *Trade and other accounts payable*

Trade and other accounts payable are stated at cost.

(m) *Employee benefits*

Provident fund

Obligations for contributions to the provident fund are recognised as an expense in the statement of income as incurred.

(n) *Deferred bond arrangement fees / Discounts or premiums on Bonds*

Bond arrangement fees are recorded as deferred expenses and are amortised on an effective interest rate method over the period of Bonds.

Discounts or premiums on the issuance of Bonds are amortised on an effective interest rate method over the period of the Bonds.

The amortisation of deferred bond arrangement fees and discount or premiums on Bonds is included in determining income.

(o) *Provisions*

A provision is recognised in the balance sheet when the Group 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.

Onerous contracts

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

(p) *Revenue*

Revenue excludes value added taxes and is calculated following the deduction of trade discounts.

Sale of goods and services rendered

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

Interest

Interest income is recognised in the statement of income as it accrues.

(q) *Expenses*

Operating leases

Payments made under operating leases are recognised in the statement of income on a straight line basis over the term of the lease. Lease incentives received are recognised in the statement of income as an integral part of the total lease payments made. Contingent rentals are charged to the statement of income for the accounting period in which they are incurred.

Finance costs

Interest expense and similar costs are charged to the statement of income in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale.

(r) Income tax

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

4 Related party transactions and balances

Related parties are those parties linked to the Group and to the Company by common shareholders or directors. Transactions with related parties are conducted at prices based on market prices or, where no market price exists, at contractually agreed prices.

Relationships with related parties that control or are being controlled by the Company or have transactions with the Company and/or Group were as follows:

Name of entities	Country of incorporation / nationality	Type of business	Nature of relationships
SPH	Thailand	Investment Holdings company	Subsidiary, 99.99% shareholding, common directors
GJ Steel	Thailand	Manufacture and sale of steel	Subsidiary, 44.12% shareholding by the Company and its subsidiary, common directors
OAC	Thailand	Business consulting services	Indirect subsidiary common directors
GS Notes Co	Thailand	Special-purpose Restructuring entity	Subsidiary, 99.99% shareholding, common directors
Sukhumvit Inter Development Co., Ltd	Thailand	Trading	Common shareholder
Mill Con Steel Industries PCL.	Thailand	Manufacture and sale of steel	Common directors with the Company and GJ Steel
BRP Steel Company Limited	Thailand	Manufacture and sale of steel	Common directors with the Company and GJ Steel
Great Eastern International Co., Ltd	Thailand	Sale of rolled steel	Common directors with GJ Steel
Advance Metal Fabrications Co., Ltd	Thailand	Sale of steel	Shareholder is a Company director
SSP Place Co., Ltd. ("SSP")	Thailand	Office rental	Common director with GJ Steel
Asia Metal PCL.	Thailand	Manufacture and sale of steel	Common shareholder with Company. Common directors with

Name of entities	Country of incorporation / nationality	Type of business	Nature of relationships
Asia Metal Fabrication Co., Ltd	Thailand	Factory construction service	GJ Steel Subsidiary of related party with whom the Company has transacted
Arnoma Hotel Bangkok Co., Ltd	Thailand	Hotel, food and beverage	Common directors with the Company and GJ Steel
Thailand Iron Works PCL.	Thailand	Manufacture and sale of galvanised steel	Common directors with GJ Steel
Intelligent System Network Co., Ltd	Thailand	Sale of computer hardware, software and system installation	Common directors with GJ Steel
Felix River Kwai Resort (Kanchanaburi) Co., Ltd	Thailand	Hotel, food and beverage	Common directors with GJ Steel
Turnaround Steel Management LLC (“TSM”)	U.S.A	Financial advisory & management services	Common directors
Global Principal Partners LLC (“GPP”)	U.S.A	Financial advisory services	Common directors

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

Transactions	Pricing policies
Revenue from rendering production services	Baht 5,100 per ton based on finished goods produced
Operating service income	Fixed rate and percentage of net sales as contracted
Interest income	Contractual prices
Purchase of finished good	Agreed-upon basis based on market price
Sale of finished goods	Agreed-upon basis based on market price
Purchase of raw material	Cost plus margin
Sales of raw material	Cost plus margin
Purchase of raw water	Contractual prices
Rental and service expenses	Contractual prices
Purchase of property, plant and equipment	Contractual prices
Financial advisory services	Per Contract
Financial advisory and management services	Per Contract

Significant transactions for the years ended 31 December 2010 and 2009 (restated) with related parties were as follows:

	Consolidated financial statements		Separate financial statements	
	2010	2009 (restated)	2010	2009 (restated)
	<i>(in million Baht)</i>			
Subsidiaries				
Revenue from rendering production services	-	-	-	50
Operating service income	-	-	-	403
Interest income	-	-	63	146
Purchase of raw material	-	-	13	37
Other purchase	-	-	5	1
Sales of raw material and other (presented in other income net of related cost)	-	-	22	396
Other related parties				
Sales of finished goods	2,515	1,996	675	1,638
Purchase of raw water	6	8	6	8
Purchase of raw material and finished goods	1,167	829	1,032	796
Purchase of property, plant and equipment	2	11	2	11
Financial advisory and management service fees (see Notes (b), (c) and (d) below)	120	-	120	-
Rental and service expense	11	-	8	-
Sales of raw material and other (presented in other income net of related cost)	5	4	5	4

- (a) During August 2009, GJ Steel had an accident at a factory, which was consequently closed for repairs for about one month. Consequently, GJ Steel entered into a service agreement with the Company under which the Company produced finished goods for GJ Steel during September 2009 in return for the Production Service Charge noted in the table above. Normal production at GJ Steel recommenced in October 2009.
- (b) As noted previously, TSM has been assisting the Company and GJ Steel since 8 February 2010. TSM is considered a related party to the Company and GJ Steel as TSM's representatives (Mr. Ahab Garas is Co-Chief Executive Officer of the Company and advisor to GJ Steel's Board of Directors; and Mr. Ari Levy is Chief Financial Officer of the Company and a member of GJ Steel's Board of Directors) are performing key management duties at the Company.
- (c) In addition, the Company entered into an agreement on 6 August 2009 with GPP, prior to the date on which GPP became a related party to the Company. The agreement was amended on 8 February 2010. GPP is an affiliate of TSM and has also been engaged by GJ Steel. Under the 8 February 2010 amended agreement, GPP has agreed to secure additional credit facilities for the Company, restructure its trade payables, structure a management agreement and assist the Company achieve more efficient strategic coordination with GJ Steel. GPP is remunerated on a success-fee basis (Baht 48 million (USD 1.6 million) of which is fixed upon the achievement of certain milestones, and the remainder is proportionate to the level of facilities secured).
- (d) GJ Steel entered into an agreement on 22 March 2010 with GPP. Under the 22 March 2010 agreement, GPP has agreed to secure additional credit facilities and new investment for GJ Steel, restructure its trade payables, structure a management agreement and assist the GJ Steel achieve more efficient strategic coordination with G Steel. GPP is remunerated on a success-fee basis, (Baht 16 million (USD 0.53 million) of which is fixed upon the achievement of certain milestones, and the remainder is proportionate to the level of facilities secured). No balance was due to GPP by GJ Steel as at 31 December 2010.

Balances as at 31 December 2010 and 2009 (restated) with related parties were as follows:

		Consolidated financial statements		Separate financial statements	
	Note	2010	2009 (restated)	2010	2009 (restated)
		(in million Baht)			
Trade accounts receivable	7				
Other related parties					
Great Eastern International Co., Ltd		181	181	181	181
Advance Metal Fabrication Co., Ltd		55	121	55	121
		<u>236</u>	<u>302</u>	<u>236</u>	<u>302</u>
Less allowance for doubtful accounts		(236)	-	(236)	-
Net		<u>-</u>	<u>302</u>	<u>-</u>	<u>302</u>
Bad and doubtful debts expense for the year		<u>236</u>	<u>-</u>	<u>236</u>	<u>-</u>
Amount receivable from related parties					
Receivable from sales of raw materials and other					
Subsidiary					
GJ Steel		-	-	111	377
Other related parties					
Advance Metal Fabrication Co., Ltd		1	-	1	-
Less allowance for doubtful account		(1)	-	(1)	-
Net		<u>-</u>	<u>-</u>	<u>111</u>	<u>377</u>
Receivable from operating service income					
Subsidiary					
OAC		-	-	1,069	1,185
Less allowance for doubtful account		-	-	(1,069)	(1,172)
Net		<u>-</u>	<u>-</u>	<u>-</u>	<u>13</u>
Total		<u>-</u>	<u>-</u>	<u>111</u>	<u>390</u>
(Reversal of) bad and doubtful debts expense for the year	31	<u>1</u>	<u>-</u>	<u>(102)</u>	<u>1,172</u>
				Consolidated and Separate financial statements	
			Note	2010	2009 (restated)
				(in million Baht)	
Receivables from scrap sales	9				
Other related party					
Advance Metal Fabrication Co., Ltd				352	353
Less allowance for doubtful account				(352)	(353)
Net				<u>-</u>	<u>-</u>

		Consolidated financial statements		Separate financial statements	
	Note	2010	2009 (restated)	2010	2009 (restated)
<i>(in million Baht)</i>					
Other current assets					
Subsidiary					
Interest receivable					
G J Steel		-	-	1	-
Total		-	-	1	-
Loans to and interest receivable from related parties					
Subsidiaries					
Loans to related parties					
OAC		-	-	2,138	2,115
SPH		-	-	5	5
		-	-	2,143	2,120
Less allowance for doubtful accounts		-	-	(2,143)	(2,120)
Net		-	-	-	-
Interest receivable from related parties					
OAC		-	-	209	209
SPH		-	-	1	1
		-	-	210	210
Less allowance for doubtful accounts		-	-	(210)	(210)
Net		-	-	-	-
Total		-	-	-	-
Bad and doubtful debts expense for the year	31	-	-	23	2,330

Movements of loans to related party for the years ended 31 December were as follows:

		Consolidated financial statements		Separate financial statements	
	Note	2010	2009 (restated)	2010	2009 (restated)
<i>(in million Baht)</i>					
Loans to related parties					
As at 1 January		-	-	2,120	1,416
Increase		-	-	23	704
As at 31 December		-	-	2,143	2,120
Receivable from offsetting transactions (see Notes 9, 14 and (e), (f) below)					
Subsidiaries					
GJ Steel		-	-	958	992

Movements during the years ended 31 December 2010 and 2009 (restated) of Receivable to related party from offsetting of machinery purchase were as follows:

	<i>Note</i>	Consolidated financial statements		Separate financial statements	
		2010	2009 (restated) (in million Baht)	2010	2009 (restated)
As 1 January 2010		-	-	992	-
Increase		-	-	34	992
Decrease		-	-	(68)	-
At 31 December		-	-	958	992
Advance payment for purchases of property, plant and equipment	13				
Other related party					
Asia Metal Fabrication Co., Ltd		8	8	8	8
Less allowance for impairment asset		(8)	-	(8)	-
Net		-	8	-	8
Loss on impairment of assets		8	-	8	-
Other non-current asset	16				
Deposit - other related party					
Sukhumvit Inter Development Co., Ltd		3	2	3	2
SSP Place Co., Ltd.		1	1	1	1
Total		4	3	4	3

- (e) In 2009, GJ Steel entered into an agreement with an overseas counterparty (“Counterparty A”), which until 10 June 2010 was also a debtor of the Company in respect of sale of scrap made by the Company to Counterparty A, to purchase machinery from Counterparty A for Baht 1,017 million (USD 29.8 million). GJ Steel, the Company and Counterparty A subsequently agreed to settle the outstanding debt owed by Counterparty A to the Company by offsetting its debt to the Company against the amount due to Counterparty A from GJ Steel for the machinery purchase. Subsequently, the parties agreed to fix the USD/Baht exchange rate for the machinery purchase as detailed in Note 7. As a result, the USD 29.8 million purchase price was converted to Baht 992 million. The Baht 992 million originally owed to Counterparty A was then owed to the Company by virtue of the aforementioned transaction. At a Board of Directors’ meeting of GJ Steel held on 6 November 2009, the Board of Directors of GJ Steel passed a resolution concerning the terms of payment of the amount payable to the Company. The repayment period is 3 years from 1 November 2009 to 31 October 2012. Interest is payable on the outstanding amount at MLR+1% with a grace period of 90 days. Payments made by GJ Steel shall be deducted first from outstanding interest payable with any remaining balance deducted from outstanding principal. The amounts payable to the Company by GJ Steel is classified as non-current assets as at 31 December 2010 and 2009 (restated) on the Company’s separated balance sheet.

(f) The chronology of other offsetting transactions ultimately involving the Company and GJ Steel is as follows:

- i. During 2009, GJ Steel entered into an agreement with a supplier to purchase machinery for Baht 608 million (USD 18.2 million) and paid the first instalment of Baht 221 million (USD 6.3 million) against this agreement. Subsequently, GJ Steel entered into an agreement with the supplier and Counterparty A to transfer all rights, benefits and liabilities under the purchase agreement, including the first instalment payment, to Counterparty A.
- ii. As at 31 December 2009 (restated), GJ Steel entered into an offset agreement with an overseas counterparty (“Counterparty D”). GJ Steel previously had trade receivables from Counterparty D of Baht 1,871 million (USD 55.9 million) of which Baht 1,737 million (USD 51.9 million) was overdue. GJ Steel entered into an agreement with Counterparty D to purchase machinery for Baht 1,525 million (USD 45.5 million) and to offset the cost of this machinery against the amount receivable from Counterparty D. The net receivable after the offset as at 31 December 2009 (restated) was Baht 346 million (USD 10.4 million). GJ Steel made full allowance for doubtful accounts for these trade receivables.
- iii. On 17 May 2010, GJ Steel’s Board of Directors acknowledged the offset of receivables due from Counterparty D (USD 10.4 million, equivalent to Baht 353 million) and payables due to Counterparty A, a company related to Counterparty D. GJ Steel’s Board of Directors approved an agreement documenting GJ Steel’s offset of these balances. The accounts receivable amounts due from Counterparty D had previously been fully provisioned. Following this transaction, GJ Steel had a net payable balance due to Counterparty A of Baht 51 million.
- iv. On 10 June 2010, GJ Steel’s Board of Directors acknowledged that Baht 33 million (USD 1.0 million) of the amounts owed by GJ Steel to Counterparty A were subrogated in favour of the Company. The Company subrogated these rights as a result of the further amounts owed by Counterparty A to the Company.

On 11 August 2010, GJ Steel’s Board of Directors passed a resolution concerning the terms of payment of the Company’s subrogation right from Counterparty A. The repayment period is 3 years from 16 August 2010 to 15 August 2013. Interest is payable on the outstanding amount at MLR+1% with a grace period of 90 days. Payments made by GJ Steel shall be deducted first from outstanding interest payable with any remaining balance deducted from outstanding principal.

		Consolidated financial statements		Separate financial statements	
	Note	2010	2009 (restated)	2010	2009 (restated)
		<i>(in million Baht)</i>			
Trade accounts payable	18				
Other related parties					
Sukhumvit Inter Development Co., Ltd		1	1	1	1
Advance Metal Fabrication Co., Ltd.		58	2	58	2
Mill Con Steel Industries PCL.		-	44	-	44
BRP Steel Co., Ltd		-	159	-	130
Total		59	206	59	177

		Consolidated financial statements		Separate financial statements	
	Note	2010	2009 (restated)	2010	2009 (restated)
		(in million Baht)			
Accrued expense to related party					
Other related parties					
GPP		94	-	94	-
Sukhumvit Inter Development Co., Ltd		1	-	1	-
Total		95	-	95	-
Advances received from customers					
	19				
Subsidiary					
GJ Steel		-	-	-	1
Other related parties					
Mill Con Steel Industries PCL.		163	258	37	115
Asia Metal PCL.		93	67	20	26
BRP Steel Co., Ltd.		58	-	-	-
Total		314	325	57	142
Other current liabilities					
Short-term loan					
Subsidiary					
GS Notes Co		-	-	1	-
Other payable					
Other related parties					
TSM		4	-	4	-
Asia Metal Fabrication Co.,Ltd.		1	-	1	-
GPP		1	-	1	-
Arnoma Hotel Bangkok Co., Ltd		-	1	-	1
SSP Place Co., Ltd		3	2	1	2
Total		9	3	7	3

Guarantee obligations with related parties

The Company has guaranteed bank credit facilities of OAC amounting to USD 120 million at origination. The prevailing balance of these credit facilities, exclusive of interest and fees, as at 31 December 2010 and 2009 (restated) is Baht 1,377 million (USD 45.5 million) and Baht 2,133 million (USD 63.6 million) respectively.

Other significant agreements concerning related parties

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

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

The agreement commenced on 12 September 2006 and runs for a period of 5 years with options to renew. On 21 December 2006, the Plan Administrator and OAC agreed that the maximum fee payable under the Service Agreement shall not exceed USD 13.1 million per annum, and the fees with respect to the arrangement fee and revenue sharing in excess of the said minimum revenue sharing will be irrevocably waived.

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

GJ Steel is USD 19 million (Baht 577 million) in arrears (“Overdue Service Balances”) under the terms of the agreement as at 31 December 2010 (2009 (restated): Baht 289 million). While OAC has not assessed any interest or fees for GJ Steel’s failure to pay amounts under the agreement when due, GJ Steel’s understanding with OAC is that GJ Steel will make periodic payments to OAC against the Overdue Service Balances when cash resources are available to do so. Refer to Note 45.1 for details of agreements reached subsequent to 31 December 2010 in respect of the Overdue Service Balances.

5 Transactions with business alliances

Since its inception, the Company has had significant business transactions with its business alliances. Business alliances are companies with whom the Company formerly had shareholders and/or directors in common or had directors who have relationships with the Company’s directors. The business transactions are conducted on an arm’s length basis with commercial terms agreed upon in the ordinary course of business between the Company and the business alliances. Below is a summary of those transactions.

Transactions	Pricing policies
Sale of goods	Agreed-upon basis based on market price
Purchase of raw material	Agreed-upon basis based on market price
Transportation expenses and other services	Agreed-upon basis and contractual price
Sale of raw material	Cost plus margin
Other income	Cost plus margin

Significant transactions for the years ended 31 December 2010 and 2009 (restated) with business alliances were as follows:

	Consolidated financial statements		Separate financial statements	
	2010	2009 (restated)	2010	2009 (restated)
	(in million Baht)			
Sale of goods	729	2,265	651	2,261
Purchase of raw material	381	912	359	403
Transportation expenses and other services	315	225	314	225
Sale of raw materials and other	-	5	-	5

Balances as at 31 December 2010 and 2009 (restated) with business alliances were as follows:

		Consolidated financial statements		Separate financial statements	
	<i>Note</i>	2010	2009 (restated)	2010	2009 (restated)
		<i>(in million Baht)</i>			
Trade accounts receivable	7				
Nara International Co., Ltd.		-	91	-	91
Federal Steel Industry Co., Ltd.		334	391	334	391
Millenium Metal Work Co., Ltd.		29	30	29	30
		363	512	363	512
Less allowance for doubtful account		(363)	-	(363)	-
Net		-	512	-	512
Bad and doubtful debts expense for the year		363	-	363	-
Other current assets - other receivables	10				
Trinity Freight and Shipping Co., Ltd.		1	1	1	1
Nara International Co., Ltd.		35	-	35	-
		36	1	36	1
Less allowance for doubtful account		(35)	-	(35)	-
Net		1	1	1	1
Trade accounts payable	18				
Trinity Freight and Shipping Co., Ltd.		-	98	-	-
Nara International Co., Ltd.		9	-	9	-
		9	98	9	-
Accrued expenses					
Trinity International Co., Ltd.		2	2	2	2
Trinity Freight and Shipping Co., Ltd.		61	30	18	30
Total		63	32	20	32
Other current liabilities					
- other payables					
Trinity Freight and Shipping Co., Ltd.		19	12	19	12
Trinity International Co., Ltd.		16	36	16	36
Nara International Co., Ltd.		-	2	-	-
Total		35	50	35	48

6 Cash and cash equivalents

	Consolidated financial statements		Separate financial statements	
	2010	2009 (restated)	2010	2009 (restated)
	<i>(in million Baht)</i>			
Cash and deposits at financial institutions	73	59	18	18
Fixed deposits due within three months	2	2	-	-
Total	75	61	18	18

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

Thai Baht (THB)	62	47	14	15
United States Dollar (USD)	13	14	4	3
Total	75	61	18	18

7 Trade accounts receivable

		Consolidated financial statements		Separate financial statements	
	Note	2010	2009 (restated)	2010	2009 (restated)
		<i>(in million Baht)</i>			
Related parties	4	236	302	236	302
Business alliances	5	363	512	363	512
Other parties		1,682	1,616	819	803
		2,281	2,430	1,418	1,617
Less allowance for doubtful accounts		(1,637)	(1,340)	(1,192)	(620)
Net		644	1,090	226	997
Bad and doubtful debts expense for the year	31	297	369	572	211

Aging analyses for trade accounts receivable were as follows:

	Consolidated financial statements		Separate financial statements	
	2010	2009 (restated)	2010	2009 (restated)
	<i>(in million Baht)</i>			
Related parties				
Within credit terms	-	83	-	83
Overdue:				
Less than 3 months	-	219	-	219
6-12 months	66	-	66	-
Over 12 months	170	-	170	-
	236	302	236	302
Less allowance for doubtful account	(236)	-	(236)	-
Net	-	302	-	302

	Consolidated financial statements		Separate financial statements	
	2010	2009 (restated)	2010	2009 (restated)
Business alliances				
Within credit terms	-	127	-	127
Overdue:				
Less than 3 months	-	385	-	385
6-12 months	79	-	79	-
Over 12 months	284	-	284	-
	363	512	363	512
<i>Less allowance for doubtful accounts</i>	<i>(363)</i>	<i>-</i>	<i>(363)</i>	<i>-</i>
Net	-	512	-	512
Other parties				
Within credit terms	-	156	-	-
Overdue:				
Less than 3 months	344	244	226	180
3-6 months	272	140	-	3
6-12 months	39	338	26	177
Over 12 months	1,027	738	567	443
	1,682	1,616	819	803
<i>Less allowance for doubtful accounts</i>	<i>(1,038)</i>	<i>(1,340)</i>	<i>(593)</i>	<i>(620)</i>
Net	644	276	226	183
Total	644	1,090	226	997

Customary credit terms

The normal credit terms granted by the Company for domestic sales are cash (since third quarter of 2010), and for export sales the general terms are that sales are covered by letters of credit at sight. In 2009, the normal credit terms granted by the Company for domestic sales range from cash sales (customarily paid in advance since third quarter of 2010) to 30-45 days after delivery. Export sales are covered by letters of credit at sight.

The normal credit terms granted by GJ Steel for domestic sales are cash (since third quarter of 2010), and for export sales the general terms are that sales are covered by letters of credit at sight. In 2007-2009, GJ Steel extended 90-120 days credit terms (without letter of credit) to an overseas customer.

Supporting customers

The Company has been doing business with a domestic customer who has assisted the Company with critical working capital support (the “Supporting Customer”) during the year ended 31 December 2010.

The overall growth in accounts receivables other parties and inventories during the year ended 31 December 2010 is primarily attributable to sales to the Supporting Customer. The Supporting Customer provides liquidity advances to the Company and/or provides access to letters of credit in order to allow the Company to purchase raw material, and all sales to the Supporting Customer appear as other party receivables until such time that the entire amount of the Supporting Customer’s order is satisfied. At the time that the order is satisfied in full, the Supporting Customer’s receivables balance is offset in its entirety against the balance of cash advances that the customer has made. Consistent with the Company’s revenue recognition policy, revenue is recognized and receivables are recorded as partial shipments are made against a customer’s order.

The Supporting Customer makes payments in advance for their hot-rolled coil needs in order to provide the Company with the necessary liquidity to purchase raw materials and meet the minimum operating payment obligations in order to satisfy the Supporting Customer's product requirements. In exchange for the liquidity advance, the Company has provided the Supporting Customer with discounts approximating 3% when compared to the lowest price offered to any other customer at the relevant time of sale. The balance due from the Supporting Customer was Baht 219 million as at 31 December 2010 (2009 (restated): Baht 179 million). Sales transactions for the year ended 31 December 2010 with the Supporting Customer were Baht 4,839 million (2009 (restated): Baht 3,301 million).

A similar arrangement was entered into with another customer (the "Supporting Customer 2") in July 2010. In exchange for Supporting Customer 2's liquidity advances, the Company has provided this Supporting Customer 2 with discounts approximating 3% when compared to the lowest price offered to any other customer at the relevant time of sale. The balance due from the supporting customer 2 was Baht 7 million as at 31 December 2010 (2009 (restated): Baht 5 million). Sales transactions for the year ended 31 December 2010 with the Supporting Customer 2 were Baht 854 million (2009 (restated): Baht 935 million).

Significant overdue balances

As at 31 December 2010, trade accounts receivable-other parties of the Company amounting to Baht 296 million represents outstanding balances of two domestic customers (the "Non-Performing Customers") for which the Company has set aside full allowance for doubtful accounts (2009 (restated): two customers, Baht 336 million).

In the first quarter of 2009, one of the Non-Performing Customers wrote to the Company requesting approval to pay outstanding debts amounting to Baht 135 million in monthly instalments over a 3-year period commencing March 2009 and ending in December 2011. The other Non-Performing Customer requested to pay outstanding debts amounting to Baht 206 million in instalments over a 4-year period commencing February 2009 and ending in December 2012. The Company has agreed to these requests. Refer to Note 45.5 for an event after the reporting date with respect to the Non-Performing Customers' receivables.

The Company has recorded an additional allowance of Baht 599 million for doubtful accounts during the year ended 31 December 2010 in respect of long-overdue accounts receivable. The Company has been in the process of engaging certain customers with long-overdue accounts receivable in an attempt to recover the overdue amounts. The Company, similar to GJ Steel, collects advance payments from customers with long-overdue accounts receivable wishing to engage in new business with the Company. These advances cover not only the new business but also a portion of the long-overdue accounts receivable. The Company fulfills orders against these advance payments and applies the appropriate portion of the advance payment against the long-overdue accounts receivable. Because certain customers are unable to repeatedly engage in new business volumes in excess of the long-overdue accounts receivable, the Company maintains its allowance for doubtful accounts against the long-outstanding portion of the receivables. The Company is, however, committed to collecting the outstanding receivables, the gross balance of which has reduced since the year ended 31 December 2009 as a result of the above policy. Furthermore, the Company has not reversed allowances recorded in prior periods as a result of the guarantee put in place by the Lead Shareholder (see Note 1.3(a)).

As at 31 December 2010, GJ Steel had trade receivables of Baht 445 million from two domestic customers (the “GJS Non-Performing Domestic Customers”) for which GJ Steel has made a Baht 445 million allowance for doubtful accounts. As at 31 December 2009 (restated), GJ Steel had trade receivables of Baht 450 million from the GJS Non-Performing Domestic Customers of which Baht 427 million was overdue and for which GJ Steel had made a Baht 375 million allowance for doubtful accounts. While the allowance for doubtful accounts attributable to the GJS Non-Performing Domestic Customers has increased as a result of the provisioning of the remaining balance owed by these customers during the course of the year, the gross receivables owed by these customers has decreased because of the below-outlined policy instituted by GJ Steel.

During the year ended 31 December 2010, GJ Steel entered into sales transactions with the GJS Non-Performing Domestic Customers. Although the GJS Non-Performing Domestic Customers had originally exceeded the credit allowances provided by GJ Steel, GJ Steel continues to do business with the GJS Non-Performing Domestic Customers on a cash basis as a means of collection of the original unpaid balances. GJ Steel collects advance payments from customers with long-overdue accounts receivable wishing to engage in new business with GJ Steel. These advances cover not only the new business but also a portion of the long-overdue accounts receivable. The Company fulfills orders against these advance payments and applies the appropriate portion of the payment against the long-overdue accounts receivable. As the long-overdue accounts receivable portion is collected, GJ Steel reverses the provisions associated with the long-overdue receivables. GJ Steel intends to continue to engage in this practice until the original unpaid balances are collected.

The gross and net balances due from customers with whom the Group and the Company have set aside provisions but are still engaged in business as a means of debt collection are shown in the following table:

	Consolidated financial statements		Separate financial statements	
	2010	2009 (restated)	2010	2009 (restated)
	<i>(in million Baht)</i>			
Related parties	236	302	236	302
Business alliances	363	421	363	421
Other parties	929	965	484	515
	<u>1,528</u>	<u>1,688</u>	<u>1,083</u>	<u>1,238</u>
Less allowance for doubtful accounts	<u>(1,528)</u>	<u>(887)</u>	<u>(1,083)</u>	<u>(512)</u>
Net	<u><u>-</u></u>	<u><u>801</u></u>	<u><u>-</u></u>	<u><u>726</u></u>

Sales transactions for the years ended 31 December 2010 and 2009 (restated) with the customers with whom the Group and the Company have set aside provisions but are still engaged in business as a means of debt collection are shown in the below table:

	Consolidated financial statements		Separate financial statements	
	2010	2009 (restated)	2010	2009 (restated)
	<i>(in million Baht)</i>			
Related parties	454	663	454	663
Business alliances	570	1,931	570	1,931
Other parties	1,092	275	120	125
Total	<u><u>2,116</u></u>	<u><u>2,869</u></u>	<u><u>1,144</u></u>	<u><u>2,719</u></u>

Account receivable offsets

Trade account receivables are stated net, after offset of payables to the same counterparties in respect of machinery purchases from those counterparties.

	Consolidated financial statements	
	2010	2009 (restated)
	<i>(in million Baht)</i>	
Balance before offset transactions for machinery purchases	2,634	3,955
Offset transactions	(353)	(1,525)
Net after offset transactions for machinery purchases	2,281	2,430

See Notes 4(e) and through 4(f) for background concerning the offsetting transactions between the Company, Counterparty A and GJ Steel (and the associated transactions between GJ Steel, Counterparty D and Counterparty A) as well as the resulting payment terms between the Company and G J Steel.

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

	Consolidated financial statements		Separate financial statements	
	2010	2009 (restated)	2010	2009 (restated)
	<i>(in million Baht)</i>			
Thai Baht (THB)	2,174	1,966	1,325	1,513
United States Dollar (USD)	107	464	93	104
Total	2,281	2,430	1,418	1,617

8 Inventories

	Consolidated financial statements		Separate financial statements	
	2010	2009 (restated)	2010	2009 (restated)
	<i>(in million Baht)</i>			
Finished goods	1,416	502	974	157
Raw materials	1,605	1,482	1,254	1,082
Spare parts	533	633	303	355
Consumables	121	138	21	33
Others	159	121	132	89
	3,834	2,876	2,684	1,716
Less : Allowance for devaluation of inventories	(224)	(1,127)	(112)	(1,025)
Net	3,610	1,749	2,572	691

Carrying value of inventories subject to retention of title clauses or otherwise pledged to secure liabilities

	1,977	375	1,820	104
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	Consolidated financial statements		Separate financial statements	
	2010	2009 (restated)	2010	2009 (restated)
	<i>(in million Baht)</i>			
Inventories recognised as an expense in 'cost of sales of goods':				
Cost	23,295	30,981	8,481	13,675
Reversal of allowance for devaluation of inventories	(903)	(3,888)	(914)	(2,076)
Net	22,392	27,093	7,567	11,599

9 Receivables from scrap sales

		Consolidate and Separate financial statements	
	<i>Note</i>	2010	2009 (restated)
		<i>(in million Baht)</i>	
Related party	4	352	353
Other parties		10	478
		362	831
Less allowance for doubtful accounts		(362)	(831)
Net		-	-
(Reversal of) bad and doubtful debts expense for the year	31	(469)	473

	Consolidated and Separate financial statements	
	2010	2009 (restated)
	<i>(in million Baht)</i>	
Balance before offset transactions for machinery purchases	831	3,253
Offset transactions	(469)	(2,422)
Net after offset transactions for machinery purchases	362	831

Due to the worldwide liquidity problems faced by the steel industry in 2008-2009, the Company entered into various arrangements to reduce the gross amount of these receivables by offsetting amounts owed to the same counterparties for machinery purchases. Offset transactions during the period with counterparties for the sale of scrap were as follows:

As stated in Note 4 (e), in 2009 the Company and Counterparty A sent a notice of assignment to GJ Steel to notify that all rights and interests in relation to GJ Steel's purchase of machinery from Counterparty A for Baht 992 million were transferred and recorded by GJ Steel as a payable to the Company for the purchase of machinery. Furthermore, as stated in Note 4(f)(iv), on 10 June 2010 Baht 34 million of the amounts owed by GJ Steel to Counterparty A were subrogated in favour of the Company as a means of settling the remaining Baht 34 million owed by Counterparty A to the Company.

The Company entered into an arrangement with a supplier to purchase machinery for Baht 513 million (USD 15 million). Subsequently, the Company entered into an arrangement with a domestic counterparty (“Counterparty B”), to offset the receivable from Counterparty B against the amount payable to the supplier for the purchase of the machinery.

The Company entered into two agreements with an overseas counterparty (“Counterparty C”) to purchase machinery and equipment for Baht 917 million (USD 27.3 million) and offset the receivable from Counterparty C against the amount payable to Counterparty C for the purchase of the machinery and equipment.

On 17 May 2010 the Company’s Board of Directors approved the receivables offsetting agreement documenting the Company’s offset of the purchase price of the hot strip mill improvement equipment from Counterparty A. The procurement of this equipment was previously approved by the Board of Directors of the Company on 14 September 2009. The purchase agreement for this equipment was subsequently entered into by the Company in November 2009. The offsetting agreement acknowledges the Company’s offsets of amounts due from Counterparty A to the Company against the USD 13.4 million (Baht 469 million) purchase price of the equipment in the equipment procurement contract. The accounts receivable amounts due from Counterparty A had previously been fully provisioned. As such, the Company’s financial statements for the year ended 31 December 2010 recognized a reversal of the earlier-provisioned receivables (Baht 469 million) and recording of the purchase of this equipment. As stated in Note 14, the Company recorded an impairment charge of Baht 40 million in respect of this equipment. during the three-month period ended 31 March 2010.

10 Other current assets

	Consolidated financial statements		Separate financial statements	
<i>Note</i>	2010	2009 (restated)	2010	2009 (restated)
	<i>(in million Baht)</i>			
Other receivables	137	290	76	224
Less allowance for doubtful accounts	(92)	(225)	(38)	(171)
	<u>45</u>	<u>65</u>	<u>38</u>	<u>53</u>
Advance for purchases of goods and service	238	372	50	211
Less allowance for doubtful accounts	(28)	(28)	-	-
	<u>210</u>	<u>344</u>	<u>50</u>	<u>211</u>
Refundable value added tax	38	3	1	3
Suspense value added tax	251	206	127	112
Others	173	64	54	47
Net	<u>717</u>	<u>682</u>	<u>270</u>	<u>426</u>
Bad and doubtful debts expense for the year	<i>31</i> <u>38</u>	<u>187</u>	<u>38</u>	<u>171</u>

Other receivables as at 31 December 2009 (restated) included Baht 171 million (USD 4.9 million) in respect of credit notes issued by two suppliers of the Company as discounts on purchases of inventories made before 2006 but for which the Company had not received the benefit by that date. As at 31 December 2009 (restated), full provision had been made in respect of these receivables. During the year ended 31 December 2010, the receivables were written-off and the allowance released. This write-off had no impact on reported loss for the year ended 31 December 2010.

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

	Consolidated financial statements		Separate financial statements	
	2010	2009 (restated)	2010	2009 (restated)
	<i>(in million Baht)</i>			
Thai Baht (THB)	537	365	225	179
United States Dollar (USD)	266	518	66	381
Others	34	52	17	37
	<u>837</u>	<u>935</u>	<u>308</u>	<u>597</u>
Less allowance for doubtful accounts	(120)	(253)	(38)	(171)
Total	<u>717</u>	<u>682</u>	<u>270</u>	<u>426</u>

11 Restricted deposits at financial institutions

As at 31 December 2010 and 2009 (restated), the Company and its subsidiaries had pledged their deposits at financial institutions to secure credit facilities from those financial institutions as follows:

	Consolidated financial statements		Separate financial statements	
Note	2010	2009 (restated)	2010	2009 (restated)
	<i>(in million Baht)</i>			
Guarantee for purchasing of goods	2	6	2	6
Guarantee for utility supplies and services	202	194	25	25
Total	<u>204</u>	<u>200</u>	<u>27</u>	<u>31</u>

The currency denomination of restricted deposits at financial institutions as at 31 December was as follows:

	Consolidated financial statements		Separate financial statements	
Note	2010	2009 (restated)	2010	2009 (restated)
	<i>(in million Baht)</i>			
Thai Baht (THB)	202	198	25	29
United States Dollar (USD)	2	2	2	2
Total	<u>204</u>	<u>200</u>	<u>27</u>	<u>31</u>

12 Investments in subsidiaries

Investments in subsidiaries as at 31 December 2010 and 2009 (restated) were as follows:

	Separate financial statements					
	Ownership interest	Paid-up capital	Cost method	Impairment	At cost - net	
	2010	2010	2010	2010	2010	2009
	(restated)	(restated)	(restated)	(in million Baht)	(restated)	(restated)
	(%)	(in million Baht)				
Subsidiaries						
Ordinary shares:						
SPH	99.99	341	341	341	-	-
GJ Steel	22.44	27,395	3,503	478	3,025	3,503
GS Notes Co	99.99	2,722	1	-	1	-
			3,845	819	3,026	3,503
Warrants:						
GJ Steel			40	-	40	-
Total			3,885	819	3,066	3,503

As at 31 December 2010, the market price of ordinary shares of GJ Steel was Baht 0.25 per share (2009 (restated): Baht 0.20 per share), equivalent to the valuation of investment of Baht 2,228 million. (2009 (restated): Baht 1,782 million)

SPH

During the year ended 31 December 2009 (restated), the Company in its separate financial statements, made full allowance for impairment in the value of SPH. SPH acts principally as the holding company for an investment in OAC, which is currently experiencing financial difficulties. Refer to Note 17 for further information on the current situation between OAC and the Lenders.

GJ Steel

As at 31 December 2009 (restated), the Company and OAC had acquired a total of 19,718 million shares of GJ Steel (the Company only: 8,911 million shares of GJ Steel) with an average cost of investment of Baht 0.39 per share to the Company and Baht 0.44 per share to OAC. The total cost of the shares acquired by the Company and OAC from the end of 2006 through 31 March 2008 was Baht 8,209 million. Following these investments, G Steel had a consolidated 49.66% shareholding in GJ Steel.

As a condition of the loan agreement between OAC and the Lenders, OAC had to pledge its rights over secured convertible debts to be converted in the future and the resulting 8,606 million shares held in GJ Steel as security for the loan.

As stated in Note 17, on 12 May 2010 OAC sold 2,200 million shares in GJ Steel in order to maintain its compliance with the Standstill Agreement (as defined in Note 17). OAC sold these GJ Steel shares at Baht 0.15 per share. OAC's original investment cost for these shares was Baht 0.44 per share. After adjusting for minority interests and changes in the net book value of GJ Steel since the investment was made, a loss of Baht 613 million has been recorded in the Group's consolidated income statement for the year ended 31 December 2010 (Note 33). Accordingly, as of 31 December 2010, the Company and OAC held a total of 17,518 million shares of GJ Steel which represent 44.12% shareholding in GJ Steel.

The book value per share of GJ Steel was Baht 0.34 per share as at 31 December 2010. As the Company's investment cost in GJ Steel was Baht 0.39 per share, the Company has recorded an impairment charge in its separate financial statements with respect to its investment in GJ Steel of approximately Baht 0.05 per share. This impairment charge equates to Baht 478 million.

GJ Steel Second Warrants

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

The issuance of GJ Steel Second Warrants was completed by GJ Steel on 13 December 2010. The Company and OAC were permitted the opportunity to subscribe to the GJ Steel Second Warrants proportionate to their ownership in GJ Steel and to also participate in an overallotment subscription option. Despite the liquidity situation at the Company and OAC, the Company and OAC believed it to be in the best interest of their shareholders to participate in the subscription of GJ Steel Second Warrants in order to maintain the consolidated investment integrity of the Group. As a result, the Company obtained 1,348 million GJ Steel Second Warrants units and OAC obtained 1,635 million GJ Steel Second Warrants units.

GS Notes Co

GS Notes Co was registered with the Ministry of Commerce on 9 August 2010. GS Notes Co was set up with a registered capital of Baht 1 million. The objective of GS Notes Co is to act as a vehicle for the restructuring of the Company's Bonds (Note 17). Refer to Note 1.3(b) for further details concerning GS Notes Co and the Bond restructuring.

13 Advance payment for purchases of property, plant and equipment

		Consolidated financial statements		Separate financial statements	
	Note	2010	2009 (restated)	2010	2009 (restated)
		(in million Baht)			
Advance payment for:					
Hot rolled coil expansion project		1,862	3,241	1,862	3,241
Coil conditioning line project		739	580	739	580
Others		293	246	-	-
		<u>2,894</u>	<u>4,067</u>	<u>2,601</u>	<u>3,821</u>
Less allowance for loss on Impairment		<u>(2,742)</u>	<u>(129)</u>	<u>(2,601)</u>	<u>-</u>
Net		<u>152</u>	<u>3,938</u>	<u>-</u>	<u>3,821</u>
Loss on impairment of assets for the year	32	(2,613)	(129)	(2,601)	-

Prior to 2008, the Company and GJ Steel had embarked on a number of expansion and downstream expansion projects. Following the market downturn and subsequent liquidity crisis at the Company and GJ Steel, the Group was forced to suspend all capital expenditure projects. When new management joined the Company in the first quarter of 2010, the decision was made to impair the hot-rolled coil expansion project and all advanced payments associated with that project. During the three-month period ended 31 December 2010, the counterparties to earlier-suspended capital expenditure projects informed the Company that they had no intention of providing the Company with further extensions to the contracts to which they were a party. As a result, the Company began negotiating the details concerning termination with these counterparties. By virtue of these pending terminations, the Company has impaired the balance of the advanced payments for all capital expenditure projects. Refer to Note 45.4 for further information concerning these terminations.

14 Property, plant and equipment

	Consolidated financial statements					
	Land and improvements	Building and improvement	Machinery and equipment	Office equipment furniture and fixtures (in million Baht)	Vehicles	Assets under construction and installation
<i>Cost</i>						Total
At 1 January 2009 (restated)	1,590	7,270	35,194	386	12	14,783
Additions	-	-	35	1	-	5,350
Disposals	-	-	-	(1)	-	(6)
Transfers	2	2,212	4,019	24	-	(7)
At 31 December 2009 and 1 January 2010 (restated)	1,592	9,482	39,248	410	12	13,869
Additions	-	-	2	3	3	1,484
Disposals	-	-	(2)	(16)	(3)	-
Transfers	-	-	41	7	-	(52)
At 31 December 2010	1,592	9,482	39,289	404	12	15,301
						66,080

Finance costs capitalised

Finance cost capitalised during 2009 (Note 35)	-	-	-	-	-	259
Rates of interest capitalised during 2009 (% per annum)	-	-	-	-	-	10.5

Consolidated financial statements

	Land and land improvements	Building and improvement	Machinery and equipment	Office equipment and fixtures (in million Baht)	Vehicles	Assets under construction and installation	Total
Accumulated depreciation							
At 1 January 2009 (restated)	4	3,543	6,754	313	8	-	10,622
Depreciation charge for the year	4	523	810	30	2	-	1,369
Disposals	-	-	-	(1)	-	-	(1)
At 31 December 2009 and 1 January 2010 (restated)	8	4,066	7,564	342	10	-	11,990
Depreciation charge for the year	3	438	792	22	1	-	1,256
Disposals	-	-	(2)	(11)	(3)	-	(16)
At 31 December 2010	11	4,504	8,354	353	8	-	13,230
Allowance for loss on impairment							
At 1 January 2009 (restated)	500	581	1,594	5	-	523	3,203
Additions	-	412	356	-	-	819	1,587
At 31 December 2009 and 1 January 2010 (restated)	500	993	1,950	5	-	1,342	4,790
Additions	(171)	154	1,126	-	-	7,545	8,654
At 31 December 2010	329	1,147	3,076	5	-	8,887	13,444
Net book value							
At 1 January 2009 (restated)	1,086	3,146	26,846	68	4	14,260	45,410
At 31 December 2009 (restated)	1,084	4,423	29,734	63	2	12,527	47,833
At 31 December 2010	1,252	3,831	27,859	46	4	6,414	39,406

Separate financial statements

	Land and land improvements	Building and improvement	Machinery and equipment	Office equipment furniture and fixtures (in million Baht)	Vehicles	Assets under construction and installation	Total
Cost							
At 1 January 2009 (restated)	735	2,029	18,818	154	9	8,700	30,445
Additions	-	-	35	-	-	2,082	2,117
Disposals	-	-	-	-	-	(1)	(1)
Transfers	-	1,208	2,523	-	-	(3,731)	-
At 31 December 2009 and 1 January 2010 (restated)	735	3,237	21,376	154	9	7,050	32,561
Additions	-	-	-	1	3	1,476	1,480
Disposals	-	-	(2)	(5)	(3)	-	(10)
At 31 December 2010	735	3,237	21,374	150	9	8,526	34,031

Finance costs capitalised

Finance costs capitalised during 2009 (Note 35)	-	-	-	-	-	259	259
Rates of interest capitalised during 2009 (% per annum)	-	-	-	-	-	10.5	10.5

Separate financial statements

	Land and land improvements	Building and improvement	Machinery and equipment	Office equipment furniture and fixtures (in million Baht)	Vehicles	Assets under construction and installation	Total
Accumulated depreciation							
At 1 January 2009 (restated)	-	803	3,812	127	5	-	4,747
Depreciation charge for the year	-	105	468	9	2	-	584
At 31 December 2009 and 1 January 2010 (restated)	-	908	4,280	136	7	-	5,331
Depreciation charge for the year	-	124	413	5	1	-	543
Disposals	-	-	(2)	(5)	(3)	-	(10)
At 31 December 2010	-	1,032	4,691	136	5	-	5,864
Allowance for loss on impairment							
At 1 January 2009 (restated)	306	538	1,512	5	-	-	2,361
Additions	-	412	356	-	-	798	1,566
At 31 December 2009 and 1 January 2010 (restated)	306	950	1,868	5	-	798	3,927
Additions	-	121	817	-	-	4,966	5,904
At 31 December 2010	306	1,071	2,685	5	-	5,764	9,831
Net book value							
At 1 January 2009 (restated)	429	688	13,494	22	4	8,700	23,337
At 31 December 2009 (restated)	429	1,379	15,228	13	2	6,252	23,303
At 31 December 2010	429	1,134	13,998	9	4	2,762	18,336

The gross amount of the Group and the Company's fully depreciated property, plant and equipment that was still in use as at 31 December 2010 amounted to Baht 1,164 million and Baht 977 million, respectively (2009 (restated): Baht 854 million and Baht 703 million, respectively).

Refer to Note 17(i) and 17(ii) for details concerning the Company's pledge of fixed assets with respect to Supporting Customer 1 and Supporting Customer 2.

As at 31 December 2010 GJ Steel's property, plant and equipment and construction in progress, with a net book value of Baht 14,162 million, were provided as mortgage collateral under the rehabilitation plan. (2009 (restated): Baht 15,110 million). GJ Steel is in the process of petitioning the court for release of this mortgage given the Company's satisfaction of the conditions under the rehabilitation plan.

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

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

Assets under construction and installation

Details of assets under construction and installation (gross) as at 31 December were as follows:

	Consolidated financial statements		Separate financial statements	
	2010	2009 (restated)	2010	2009 (restated)
	<i>(in million Baht)</i>			
Hot rolled coil expansion	1,552	1,522	1,552	1,522
Coil conditioning line	6,172	5,488	6,172	5,488
Galvanizing line	5,038	5,083	-	-
Reversing Mill line	1,525	1,525	-	-
Others	1,014	251	802	40
Total	15,301	13,869	8,526	7,050

Fixed asset appraisal and impairment

The Company and GJ Steel

The Company's and GJ Steel's property, plant and equipment were appraised on a value-in-use basis by an independent appraisal firm as at 31 December 2010. The appraisal was conducted in accordance with International Accounting Standard 36, based on cash flow projections provided by the Company and GJ Steel. The details concerning the assumptions used by the independent appraiser and the results of this appraisal are as follows.

Primary Assumptions:

- Product and raw material pricing are consistent with prevailing market prices
- A 3% per annum growth and inflation rate is applied to all input costs and product prices
- Existing facilities achieve operating utilization of approximately 80%
- Working capital investment equals 10% of forecasted change in revenue
- Installation of expansion projects classified as “construction in progress” are completed and commence operations in 2013
- Pre-tax discount rate of 15.22% (*GJ Steel: 15.15%*) applied to forecast cash flows based on Company-specific and GJ Steel-specific, general macro-economic and comparable industry participant data
- The Company and GJ Steel are assumed to have access to the required capital necessary to support its capital expenditure and working capital investments required by the projections. (Refer to Note 1 and Note 45.1 for further details of the Company's and GJ Steel's status in respect of sourcing new funding or facilities.)

As described in Note 1.1, the Company's new management team was appointed in February 2010. Following this change, the Company's new management embarked on a program of reassessment of the Company's previous and current fixed asset investment projects, including certain projects which had been classified on its balance sheet as “advance payments for purchases of property, plant and equipment” and “construction-in-progress” prior to finalization of the Company's 31 December 2010 financial statements. The Company's management opted to reflect impairment charges with respect to these investments during the year ended 31 December 2010. The impairment charges taken during the three-month period ending 31 March 2010 reflect the hot-rolled coil expansion project. The appraisal conducted on fixed assets as at 31 December 2010 did not seek to reappraise these assets as there is no expectation that this project will be completed.

The resulting impairment charges of the Group and the Company, respectively were as follows:

	Net book value as at 31 December 2010	Independent appraisal value	Allowance for loss on impairment	Recorded in prior year	Loss on impairment in 2010
<i>(in million Baht)</i>					
The Company					
Existing project	17,590	15,367	2,223	2,507	202
Downstream	6,747	3,374	3,373	1,245	2,128
	<u>24,337</u>	<u>18,741</u>	<u>5,596</u>	<u>3,752</u>	<u>2,330</u>
Downstream	2,215	-	2,199	166	2,033
HRC Expansion	1,552	-	1,509	4	1,505
Other	41	-	36	-	36
	<u>28,145</u>	<u>18,741</u>	<u>9,340</u>	<u>3,922</u>	<u>5,904</u>
GJ Steel					
Existing project	17,872	17,382	490	319	171
Construction in progress	6,775	3,652	3,123	544	2,579
	<u>24,647</u>	<u>21,034</u>	<u>3,613</u>	<u>863</u>	<u>2,750</u>
Total	<u>52,792</u>	<u>39,775</u>	<u>12,935</u>	<u>4,785</u>	<u>8,654</u>

The Company's land and buildings and machinery and equipment were appraised by independent appraisers during 2009 based on value-in-use (machinery and equipment), Depreciated Replacement Cost (land and buildings) and Open Market Value (machinery and equipment) assumptions, respectively. The result of these appraisals did not indicate any impairment in the carrying value of these assets as at 31 December 2009.

In 2009, the Company also hired an independent appraiser to appraise assets under construction. The appraisal was made under the Replacement Cost Approach. The results of this appraisal indicated impairment of assets under construction and installation of Baht 1,566 million (including machinery from offsetting transaction of Baht 118 million as mentioned below). The Company set up full allowance for this impairment loss.

Equipment purchased under offsetting agreements

In 2009, GJ Steel entered into three agreements to purchase certain machineries for Baht 3,150 million (USD 93.5 million) as follows:

- GJ Steel entered into an agreement with Counterparty A to purchase machinery from Counterparty A for Baht 1,017 million (USD 29.8 million) and offset the payables with amounts owed to G Steel by Counterparty A.
- GJ Steel entered into an agreement with a supplier to purchase machinery for Baht 608 million (USD 18.2 million) and has paid the first instalment of Baht 221 million (USD 6.3 million). Subsequently, GJ Steel entered into an agreement with the supplier and Counterparty A to transfer all rights, benefits and liabilities under the purchase agreement, including the first instalment payment, to Counterparty A.
- GJ Steel entered into an agreement with Counterparty D to purchase machinery for Baht 1,525 million (USD 45.5 million) and to offset the cost of this machinery against the outstanding amount receivable from Counterparty D (see Note 7).

The machinery purchased under the above agreements was delivered to GJ Steel during August and November 2009. GJ Steel hired an independent appraiser to appraise the machineries as at 31 December 2009. The appraisal was made on the Depreciated Replacement Cost method and the appraised values of the machinery were greater than the purchase prices.

15 Intangible assets

	Consolidated financial statements			
	Software	Licence (in million Baht)	Other	Total
Cost				
At 1 January 2009 (restated)	295	41	1	337
Additions	2	-	-	2
At 31 December 2009 and 1 January 2010 (restated)	297	41	1	339
Additions	34	-	-	34
Disposals	(103)	-	-	(103)
At 31 December 2010	228	41	1	270

Consolidated financial statements

	Software	Licence	Other	Total
	(in million Baht)			
Accumulated amortisation				
At 1 January 2009 (restated)	215	18	-	233
Amortisation charge for the year	10	2	-	12
Impairment charge	-	-	1	1
At 31 December 2009 and 1 January 2010 (restated)	225	20	1	246
Amortisation charge for the year	3	1	-	4
Impairment charge	(37)	-	-	(37)
At 31 December 2010 (restated)	191	21	1	213
Net book value				
At 1 January 2009 (restated)	80	23	1	104
At 31 December 2009 (restated)	72	21	-	93
At 31 December 2010	37	20	-	57

Separate financial statements

Software
(in million Baht)

Cost	
At 1 January 2009 (restated)	48
At 31 December 2009 and 1 January 2010 (restated)	48
Additions	17
Disposals	(48)
At 31 December 2010	17
Accumulated amortisation	
At 1 January 2009 (restated)	12
Amortisation charge for the year	5
At 31 December 2009 and 1 January 2010 (restated)	17
Amortisation charge for the year	1
Disposals	(18)
At 31 December 2010	-
Net book value	
At 1 January 2009 (restated)	36
At 31 December 2009 (restated)	31
At 31 December 2010	17

16 Other non-current assets

		Consolidated financial statements		Separate financial statements	
	Note	2010	2009 (restated)	2010	2009 (restated)
		<i>(in million Baht)</i>			
Suspended construction in progress		2,086	2,086	-	-
Less allowance for impairment		(2,042)	(2,042)	-	-
		44	44	-	-
Deposit and advance to suppliers		310	358	108	156
Less allowance for impairment		(202)	(202)	-	-
		108	156	108	156
Promissory notes		143	143	-	-
Less allowance for doubtful accounts		(143)	(143)	-	-
		-	-	-	-
Deposit-related party	4	4	3	4	3
Other deposits		26	32	4	14
Deferred cost of rolls		248	315	112	129
Spare parts and equipment		1	7	1	7
Others		72	53	18	2
Total		503	610	247	311

Suspended construction in progress of GJ Steel represents the Direct Reduced Iron plant (“DRI Facility”). The management of the Company decided to suspend this project in 1999. The carrying value of this investment was written down to its independently appraised forced sale value of Baht 295 million as at 31 December 2008 then, following a further independent appraisal prepared on the same basis, an additional impairment loss of Baht 250 million was recognised by the Company during 2009.

As at 31 December 2010 and 2009 (restated), promissory notes issued by closed finance companies were pledged as collateral for loans of certain related parties from those closed finance companies. GJ Steel has fully provided for these promissory notes due to concerns about the financial position of the related parties.

17 Interest-bearing liabilities

	Consolidated financial statements		Separate financial statements	
	2010	2009 (restated)	2010	2009 (restated)
	<i>(in million Baht)</i>			
Current				
Short-term loans from financial institutions (unsecured)	201	229	201	229
Trade account payable	9,379	7,134	6,881	4,556

	Consolidated financial statements		Separate financial statements	
	2010	2009 (restated)	2010	2009 (restated)
	<i>(in million Baht)</i>			
Advance received from customer	1,584	1,584	1,584	1,584
Loan from shareholder	405	-	-	-
Short-term loans from other parties (secured)	398	-	398	-
Short-term loan from other parties (unsecured)	259	481	120	407
	<u>657</u>	<u>481</u>	<u>518</u>	<u>407</u>
Current portion of long-term loan from financial institutions (secured)	1,377	2,132	-	-
Bonds (unsecured)	372	5,669	372	5,669
Other current liabilities (Short-term loans from related parties) (unsecured)	-	-	1	-
	<u>13,975</u>	<u>17,229</u>	<u>9,557</u>	<u>12,445</u>
Non-current				
Bonds (unsecured)	670	-	670	-
Finance lease liabilities	1	-	1	-
	<u>671</u>	<u>-</u>	<u>671</u>	<u>-</u>
Total	<u>14,646</u>	<u>17,229</u>	<u>10,228</u>	<u>12,445</u>

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

	Consolidated financial statements		Separate financial statements	
	2010	2009 (restated)	2010	2009 (restated)
	<i>(in million Baht)</i>			
Within one year	13,975	17,229	9,557	12,445
After one year but within five years	671	-	671	-
Total	<u>14,646</u>	<u>17,229</u>	<u>10,228</u>	<u>12,445</u>

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

	Consolidated financial statements		Separate financial statements	
	2010	2009 (restated)	2010	2009 (restated)
	<i>(in million Baht)</i>			
Warrants	15	-	15	-
Trade account receivables	897	-	897	-
Investments in subsidiary	4,927	4,706	1,179	-
Inventories	1,977	375	1,820	104
Total	<u>7,816</u>	<u>5,081</u>	<u>3,911</u>	<u>104</u>

Short-term loans from financial institutions

As at 31 December 2010, the Company had short-term loans from financial institutions, representing liabilities under trust receipts, which bear interest at from 8.25 % to 15.5 % per annum. (2009 (restated): 8.25% to 15% per annum).

Short-term loans from other parties

The Company

Loan from an overseas company

As at 31 December 2009 (restated), the Company had an outstanding principal balance of Baht 367 million (USD 10.9 million) on a loan (the “Overseas Loan”) from an overseas company (principal balance due as at 31 December 2010: Baht 386 million (USD 12.6 million)), which bears interest at 9% per annum together with arrangement fee of 16% per annum (including penalty rate). The balance at 31 December 2009 was due for repayment on 29 January 2010 but as the Company did not have sufficient resources to make the payment, the overseas company verbally agreed to extend the repayment date to 31 December 2010 (on the same terms as the original Overseas Loan agreement). Subsequently, the Company and the Overseas Loan provider signed an agreement which extended the date of maturity to 28 January 2011. Under the terms of the Overseas Loan, the Company is required to identify and pledge accounts receivable equating to amounts outstanding under the Overseas Loan. Therefore, as at 31 December 2010, Baht 897 million (USD 30 million) of the Company’s accounts receivable were pledged for the benefit of the Overseas Loan provider. As at 31 December 2010, the total unpaid balance of the Overseas Loan, including unpaid interest and fees was USD 17 million (Baht 523 million). Refer to Note 45.2 for further information concerning the Overseas Loan.

Loan from a domestic company

On 15 March 2010, the Company and a domestic lender entered into an agreement under which the domestic lender agreed to lend Baht 120 million to the Company (the “Domestic Loan”) for working capital purposes. Under the terms of the Domestic Loan, the Company may draw on the proceeds of the Domestic Loan upon written request of the Company. Once borrowed, amounts drawn must be repaid no later than 12 months from the respective drawdown date. Interest accrues on the Domestic Loan at 14% per annum and is due on the principal repayment dates. The Company borrowed Baht 70 million on 15 March 2010 and Baht 50 million on 18 March 2010. The Domestic Loan is secured by the Company’s post-dated cheques reflecting principal amounts owed on the scheduled repayment dates. As at 31 December 2010, the total outstanding on the Domestic Loan, including principal and interest was Baht 131 million.

Loan from an individual

On 9 December 2010, the Company entered into a loan agreement with an individual in the amount of Baht 15 million, which bears interest at 15% per. This loan has a one-year bullet maturity. Under the terms of this loan, the Company pledged 500 million units of its GJ Steel Second Warrants as collateral for the benefit of the lender.

Working capital lines of credit

- (i) On 25 February 2010 the Company’s Board of Directors approved a resolution to permit the Company to enter into working capital support facilities with the Supporting Customer (see Note 5) against which the Company can pledge an equivalent value of shares it holds in GJ Steel (up to a maximum of 3,000 million shares). The agreement with the Supporting Customer was executed by the Company on 17 March 2010. As of 31 December 2010, the Company has received

significant support from the Supporting Customer in the form of (i) access to the Supporting Customer's letter of credit capacity, (ii) advance payments made for future deliveries of product and (iii) extended payment terms with respect to accounts payable amounts owed to the Supporting Customer. As at 31 December 2010, the total amount outstanding on the Supporting Customer's letters of credit on the Company's behalf, advance payments made to the Company and accounts payable (including accrued finance costs) owed to the Supporting Customer less accounts receivable is Baht 2,747 million (*as at 31 December 2009 (restated): Baht 618 million*). In conjunction with this working capital support, the Company pays the Supporting Customer's letter of credit fees upon opening of the letter of credit to the respective lender, (i) a fixed fee for each transaction of Baht 100,000 to the Supporting Customer, and (ii) 1- 2.2% of the letter of credit per transaction directly to the respective lender. Furthermore, to the extent the Supporting Customer is required to refinance the letters of credit with other credit facilities upon expiration of the letters of credit (due to delayed consumption of the raw materials procured with the aforementioned letters of credit), then the Company is required to reimburse the Supporting Customer for interest charges of 12% per annum which accrue from the date of expiration of the respective letter of credit until the amounts are repaid.

As the Supporting Customer continues to support the Company with additional working capital sources above and beyond the amounts secured by the pledge of shares in GJ Steel during this period of constrained liquidity, the Supporting Customer has requested further security as a result of its increasing exposure. On 23 September 2010, the Company's Board of Directors approved a pledge of the Company's unfinished pickling and oiling equipment, currently classified on the Company's balance sheet as Construction in Progress, in the Supporting Customer's favour.

- (ii) On 25 August 2010 the Board of Directors of the Company approved a resolution to permit G Steel to enter into a working capital facility of up to USD 20 million against which the Company can pledge up to 5,000 million GJ Steel shares. As of 31 December 2010, no agreement has been executed by the Company with respect to such approval. The efforts to put this facility in place are being undertaken with the assistance of Supporting Customer 2. The total net outstanding amounts owed to Supporting Customer 2 (Advance Payments plus Accounts Payable less Accounts Receivable) as of 31 December 2010 was Baht 469 million (31 December 2009 (restated): Baht 253 million).

As Supporting Customer 2 has continued to support the Company with additional working capital sources during this period of constrained liquidity, Supporting Customer 2 has requested further security as a result of its increasing exposure. On 23 September 2010, the Company's Board of Directors approved a pledge of the Company's unfinished hot strip mill improvement and the heavy gauge shearing line equipment, both currently classified on the Company's balance sheet as Construction in Progress, in Supporting Customer 2's favour.

GJ Steel

Short-term loans from other parties are unsecured and bear interest at 2.5% to 9% per annum in 2010 (2009: 2% to 13% per annum).

OAC

Current portion of long-term loan from financial institution

This USD-denominated loan from lenders to OAC (the "Lenders") defaulted on 30 April 2009, but was subsequently remediated under a standstill agreement (the "Standstill Agreement") on 22 March 2010. The Lenders hold OAC's shareholding in GJ Steel as collateral, and under the original terms of the loan, may dispose of all or any of it in the event of OAC defaulting. Under the Standstill Agreement, the Lenders and the Subsidiary agreed as follows:

1. The Lenders agreed to waive all existing defaults under the loan.
2. OAC was due to make a USD 10 million principal repayment and a USD 1.5 million payment (equating to one-third of the interest and amendment fees accrued prior to the Standstill Agreement) to the Lenders by 3 May 2010. This principal repayment was made within the permitted 10-business day grace period of this date with proceeds generated via a sale of 2,200 million of OAC's GJ Steel shares, as permitted by the Lenders under the Standstill Agreement. The accrued interest and amendment fees payment was made in June following receipt of the Lenders' permission.
3. OAC was due to make a USD 20 million principal repayment to the Lenders and a USD 1.5 million payment (equating to one-third of the interest and amendment fees accrued prior to the Standstill Agreement) on 1 September 2010. (Due to continued liquidity constraints, OAC was unable to make the 1 September 2010 principal payment, deferred interest and deferred amendment fees payment.)
4. Final maturity under the loan has been amended to be 3 January 2011 provided that OAC meets its obligations under the Standstill Agreement. On the date of maturity, OAC is due to make the final principal repayment of approximately USD 25 million and a USD 1.5 million payment (equating to one-third of the interest and amendment fees accrued prior to the Standstill Agreement). Due to continued liquidity constraints, OAC was unable to make the 1 September 2010 principal payment, deferred interest and deferred amendment fees payment.
5. Current interest charges are to be paid monthly during the term of the Standstill Agreement.
6. The Lenders permit OAC to sell a proportionate number of GJ Steel shares held as collateral by the Lenders in order to meet the aforementioned principal repayment obligations.
7. No further amendment fees are applied by the Lenders provided OAC complies with the terms of the Standstill Agreement.

All other terms and conditions under the previous loan agreement remained unchanged. OAC and the Company are pursuing means of repayment of the remaining amounts owed under the loan via potential new strategic investors and/or new loans with financial institutions as referenced in Note 1.2.

Subsequent to the execution of the Standstill Agreement, OAC learned that the Lenders had enforced one of two Company shareholder share pledges which had been provided to give additional collateral support for the loan to OAC. The Lenders enforced one of the pledges resulting in the Lenders' forced sale of 850 million shares of the Company ("Pledgor's Property"). OAC was informed during the first quarter of 2010 that such sale of the Pledgor's Property took place between 8 October and 21 October 2009.

On 6 March 2010 OAC received a notice of subrogation from the shareholder whose Pledgor's Property was sold by the Lenders. The shareholder's subrogation claim is a demand that OAC returns the Pledgor's Property (the shares of the Company). On 25 March 2010, the Company's Board of Directors acknowledged the subrogation claim made of OAC and approved a resolution that when OAC has the capacity to do so, OAC should return the Pledgor's Property. On 31 May 2010, OAC sent a letter to the shareholder whose Pledgor's Property had been forced sold by the Lenders. OAC informed the shareholder that OAC intends to return the Pledgor's Property by providing it with 850 million shares of the Company when it has the capacity to do so. The subrogation claim is classified as "Loan from shareholder" on the Company's consolidated balance sheet as at 31 December 2010 and has a prevailing balance of Baht 405 million. Refer to Note 45.2 for an update concerning the Loan from shareholder and the Pledgor's Property.

The Company's financial statements as at 31 December 2009 (restated) disclosed that Baht 2,133 million (USD 63.6 million) was due by OAC to the Lenders. The sale of the Pledgor's Property resulted in net proceeds of USD 12.1 million which was applied to the balances owed by OAC to the Lenders as USD 4.0 million against accrued interest and fees as of that date and USD 8.1 million against loan principal. Following this application, OAC's liability with respect to this loan was Baht 1,805 million (USD 55.5 million), excluding unpaid interest and amendment fees.

Although OAC failed to make the required USD 10.0 million (Baht 326 million) principal payment on 3 May 2010, it did so within the permitted grace period (which ended on 19 May 2010). As noted in above 12, this payment was made via OAC's permitted sale of 2,200 million shares of GJ Steel (or 5.54% of GJ Steel's issued ordinary share capital) on 12 May 2010. Following completion of the aforementioned sale, OAC's holding in GJ Steel reduced from 27.22% to 21.68%, and the direct and indirect holding of the Company in GJ Steel reduced from 49.66% to 44.12%. The USD 1.5 million of accrued interest and amendment fees was paid in June 2010 (following agreement of payment extension date by the Lenders).

As noted in above Note 17(3) and 17(4), OAC was unable to fulfill the terms of the Standstill Agreement as it was unable to make the required principal repayment on 1 September 2010 and again on 3 January 2011. As a result of this default under the Standstill Agreement and because all amounts owed by OAC to the Lenders are due on or before 3 January 2011, the loan is currently classified as a current liability in the Group's consolidated balance sheet. Given G Steel's and OAC's present liquidity constraints, OAC and the Company are presently in discussions with the Lenders concerning a rescheduling of the missed principal payment. As at 31 December 2010, the Lenders have not called for a default under the Standstill Agreement.

OAC and the Company continue to maintain dialogue with the Lenders. As of the date of this report, the Lenders have not agreed to formally extend the Standstill Agreement, but have verbally indicated a willingness to allow OAC and the Company to work on their recapitalization initiatives. Following OAC's subscription to the GJ Steel Second Warrants, OAC provided its GJ Steel Second Warrants as further collateral for the Lenders pursuant to the loan agreement with the Lenders. Refer to Note 12 for details concerning the GJ Steel Second Warrants.

Bonds

As at 31 December 2010 and 2009 (restated), the Company had the following bonds in issue (the "Bonds"):

	Consolidated and Separate financial statements	
	2010	2009 (restated)
	<i>(in million Baht)</i>	
Balance - beginning of the year	5,669	5,899
Effect of exchange rate	(555)	(266)
Amortisation of premium on face value	4	4
Amortisation of deferred bonds management fee	25	32
Debt reduction	(1,561)	-
Conversion of bonds to equity	(2,540)	-
Balance - end of the year	1,042	5,669
Less Current portion of bonds included under the	(372)	(5,669)
Total of bonds – net of current portion	670	-

On 2 September 2005, an extraordinary general meeting of the Company's shareholders passed a resolution to approve the issue of bonds in an amount not exceeding USD 250 million or the equivalent in other currency and the offer of such bonds on the Singapore Stock Exchange. On 4 October 2005, the Company offered its Bonds with the following terms and conditions:

- Form Unsecured bonds
- Maturity period 5 years
- Issue date 4 October 2005
- Maturity date 4 October 2010
- Offering value USD 100 million
- Offering amount 100,000 units
- Face value USD 1,000 per unit
- Offering price USD 981.16 per unit
- Interest 10.5 percent per annum, with semi-annual payment on 4 April and 4 October of each year
- Redemption at the option of the Company Full or partial redemption on or after 4 October 2008 at a price of 105.25 percent of principal in 2008, 102.625 percent in 2009 and 100 percent in 2010 plus accrued interest up to the period of redemption
- Redemption at the option of the bondholders Redemption at a price of 101 percent of principal plus accrued interest at any time until maturity if there is a significant change in the Company's shareholding structure.
- Covenants
 - 1) A reserve is to be set aside as security for interest payment
 - 2) If the Company creates additional long-term debt, it must maintain certain financial ratios
 - 3) No dividend may be declared or paid if the Company is in default on interest payment
 - 4) Funds received from bond issuance are not to be used for other than the stipulated purposes
 - 5) Negative pledge

On 16 February 2006, the Company issued and offered 70,000 units of Bonds. The Bonds have face value at USD 1,000 each, totalling USD 70 million. The offering price was USD 1,019.78 per unit and the terms and conditions were the same as for the previously issued bonds.

As at 31 December 2009 (restated), the Company had not maintain the required balance in an escrow account to meet the amount of the next Bonds coupon payment as specified in the Bonds covenant. On 22 October 2009, the Company received a letter from the trustee of the bond to inform an event of default as the Company had failed to pay interest in the amount of USD 8.9 million which had fallen due on 5 October 2009.

OAC was unable to make a loan instalment payment of USD 15 million or Baht 503 million that was due for payment in April 2009. Under a cross-default clause on the Bonds triggered by OAC's loan covenant default, as well as a result of the above-noted interest payment default on the Bonds, the Bonds become due and payable upon the exercise of the rights of the bond holders. The Bonds, with book value of Baht 5,669 million, have accordingly been reclassified as current liabilities in the consolidated and separate balance sheets as at 31 December 2009 (restated).

The Bonds have been classified as current liabilities in the consolidated and separate balance sheets as at 31 December 2009 (restated) due to the following events of default taking place:

- As at 31 December 2009 (restated), the Company did not maintain the required balance in the escrow account to meet the next Bonds coupon payment as specified in the Bonds covenant.
- On 22 October 2009, the Company received a letter from the Bonds trustee informing the Company of an event of default as the Company had failed to pay Bonds interest of Baht 299 million (USD 8.9 million) which fell due on 5 October 2009.
- Under a Bonds' cross-default clause which was triggered by OAC's loan covenant default with the Lenders, the Bonds became due and payable upon the exercise of the rights of the bondholders.
- On 4 April 2010 the Company was due to make an interest payment of Baht 291 million (USD 8.9 million) on the Bonds. The Company was unable to make such payment due to its constrained liquidity position. On 22 April 2010 the Company received a letter from the Bonds trustee informing the Company of an event of default as a result of this non-payment.
- On 12 October 2010, the Company received a letter from the Bonds trustee informing the Company of an event of default as the Company had failed to pay Bonds interest of Baht 271 million (USD 8.9 million) which fell due on 4 October 2010. Furthermore, the Company had failed to repay the principal balance of USD 170 million on the Bonds' maturity date which was also 4 October 2010.

As outlined in Note 1.3(b), the Company successfully completed the restructuring of the Bonds on 9 December 2010. Please refer to Note 1.3(b) for further details concerning the Bond restructuring. As a result of the Bond restructuring, the Company has recorded a gain from debt restructuring of Baht 3,187 million detailed as follows.

	Consolidated and Separate financial statements 2010 (in million Baht)
Carrying value of the debt obligation before the Bond Restructuring	
- Bonds (USD 170 million)	5,143
- Accrued interest expenses (including withholding tax)	997
	<u>6,140</u>
Less Conversion of Bonds to share capital (USD 84 million)	(1,790)
Less Future cash payments under new terms and conditions	
- Principal (USD 34.38 million)	(1,042)
- Interest and withholding tax payment	(121)
	<u>(1,163)</u>
Gain from debt restructuring	<u>3,187</u>

Currency denomination of interest-bearing liabilities

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

	Consolidated financial statements		Separate financial statements	
	2010	2009 (restated)	2010	2009 (restated)
	<i>(in million Baht)</i>			
Thai Baht (THB)	976	2,692	176	60
United States Dollars (USD)	13,670	14,537	10,052	12,385
Total	<u>14,646</u>	<u>17,229</u>	<u>10,228</u>	<u>12,445</u>

18 Trade accounts payable

		Consolidated financial statements		Separate financial statements	
	<i>Note</i>	2010	2009 (restated)	2010	2009 (restated)
		<i>(in million Baht)</i>			
Related parties	4	59	206	59	177
Business alliances	5	9	98	9	-
Other parties		10,766	9,450	7,748	6,255
Total		<u>10,834</u>	<u>9,754</u>	<u>7,816</u>	<u>6,432</u>
Thai Baht (THB)		1,034	1,535	316	1,184
United States Dollars (USD)		9,702	8,097	7,404	5,127
Others		98	122	96	121
Total		<u>10,834</u>	<u>9,754</u>	<u>7,816</u>	<u>6,432</u>

The Company had agreements to purchase raw materials with various overseas suppliers. The Company has released raw materials but still not paid for the material under consignment agreements totalling Baht 2,847 million as at 31 December 2010. The Company has to pay interest at LIBOR + 1% to LIBOR + 1.5% per annum on the released raw materials and on the payables balance from the boarding date on ship through the date on which full payment is made (31 December 2009 (restated) : Baht 4,934 million, interest rate at LIBOR + 1% to LIBOR + 1.5% per annum). Refer to Note 17 for further detail of working capital lines of credit.

As at 31 December 2010, the Company had outstanding balance due to overseas suppliers of Baht 1,506 million (USD 50 million) (2009 (restated): Baht 1,711 million (USD 32 million) bearing interest at 4.75%-9.75% per annum, LIBOR + 4.5% per annum and penalty charge 15% per annum (2009 (restated): 4.75%-9.75% per annum)

GJ Steel has agreements to purchase raw materials with various overseas suppliers. GJ Steel had released raw materials but still not paid for the material under consignment agreements in the amount of Baht 2,498 million as at 31 December 2010. GJ Steel has to pay interest at from 2.3 % to 12 % per annum on the released raw materials and on the payables balance from the shipping date until the date on which full payment is made (2009 (restated): Baht 2,578 million, interest rate at 2% to 6% per annum and MLR).

Refer to Note 45.2 for details of trade creditor restructuring which took place subsequent to 31 December 2010.

19 Advances received from customers

		Consolidated financial statements		Separate financial statements	
	Note	2010	2009 (restated)	2010	2009 (restated)
		(in million Baht)			
Related parties	4	314	325	57	142
Other parties		3,277	3,042	2,126	1,643
Total		3,591	3,367	2,183	1,785
Thai Baht (THB)		2,007	1,783	599	201
United States Dollars (USD)		1,584	1,584	1,584	1,584
Total		3,591	3,367	2,183	1,785

As at 31 December 2010, the Company had received an advance from a customer for an amount of Baht 1,584 million (USD 49 million) (2009 (restated): Baht 1,584 million (USD 49 million)) bearing interest at 10% per annum.

According to the master agreements with such customer, the Company has an obligation (as disclosed in Note 42.4) to deliver goods to the customer in the future and give a commodity discount for the goods sold to such customer. Refer to Note 45.2 for details of trade creditor restructuring which took place subsequent to 31 December 2010.

20 Accrued interest expenses

	Consolidated financial statements		Separate financial statements	
	2010	2009 (restated)	2010	2009 (restated)
	<i>(in million Baht)</i>			
Bonds	121	520	121	520
Consigned inventories	1,005	543	666	425
Financial institutions	410	111	-	5
Others	898	382	852	375
Total	2,434	1,556	1,639	1,325
Thai Baht (THB)	34	8	15	5
United States Dollars (USD)	2,400	1,548	1,624	1,320
Total	2,434	1,556	1,639	1,325

	Purchase orders for undelivered raw material (see Note 42.3)	Separate financial statements Termination contracts (See Note 45.4)	Tax- related provision (See Note 41 (C))	Total
		<i>(in million Baht)</i>		
At 1 January 2009	-	-	58	58
Provisions made	348	-	478	826
At 31 December 2009 and 1 January 2010 (restated)	348	-	536	884
Provisions made	-	289	351	640
Provision reversed	(222)	-	-	(222)
At 31 December 2010	126	289	887	1,302
At 31 December 2009 and 1 January 2010 (restated)				
Current	348	-	536	884
At 31 December 2010				
Current	126	289	887	1,302

Provision for loss on purchase of inferior raw material

In January 2010, the GJ Steel received scrap from an overseas supplier. GJ Steel appointed an independent surveyor to determine the impurity levels and found them to be significant. As at 31 December 2010, GJ Steel had made full provision against these scrap inventories amounting to Baht 100 million. The total amount of the claim GJ Steel has made of the supplier by virtue of the supplier's non-performance is approximately USD 3.7 million (Baht 113 million). The supplier is also one of the "End Use Customers" (as defined in Note 41(B)). On 1 March 2011, GJ Steel resolved the aforementioned supply claim in conjunction with the supplier's End Use Customer claim referenced in Note 41(B). Refer to Note 45.3 for details of the agreement reached with the End-Use Customer.

22 Other current liabilities

	Consolidated financial statements		Separate financial statements	
	2010	2009 (restated)	2010	2009 (restated)
	<i>(in million Baht)</i>			
Tax-related liabilities	1,327	798	688	509
Machinery and construction				
Payables	232	765	150	334
Electricity payable	241	202	241	202
Others	177	283	175	283
Total	1,977	2,048	1,254	1,328

	Consolidated financial statements		Separate financial statements	
	2010	2009 (restated)	2010	2009 (restated)
	<i>(in million Baht)</i>			
Thai Baht (THB)	1,755	1,249	1,064	948
United States Dollars (USD)	206	781	179	369
Others	16	18	11	11
Total	1,977	2,048	1,254	1,328

23 Liabilities which were included under the rehabilitation plan

	Consolidated financial statements		Separate financial statements	
	2010	2009 (restated)	2010	2009 (restated)
	<i>(in million Baht)</i>			
Balance - beginning of the year	967	1,113	578	718
Less Repayment and adjust exchange rate during the year	(29)	(18)	(7)	(13)
Creditors forgiven debts after the rehabilitation plan	(27)	(128)	(27)	(127)
Balance - end of the year	911	967	544	578
Less Current portion of liabilities included under the rehabilitation plan	(381)	(15)	(14)	(15)
Total liabilities which were included under the rehabilitation plan - net of current portion	530	952	530	563
Thai Baht (THB)	803	838	544	578
United States Dollars (USD)	95	105	-	-
Others	13	24	-	-
Total	911	967	544	578

24 Share capital

	Par value per share (in Baht)	2010 Number	Baht (million shares / million Baht)	2009 (restated) Number	Baht
Authorised					
At 1 January					
- ordinary shares	1.00	13,860	13,860	13,860	13,860
Increase of new shares	1.00	5,100	5,100	-	-
At 31 December					
- ordinary shares	1.00	18,960	18,960	13,860	13,860
Issued and paid up					
At 1 January					
- ordinary shares	1.00	13,760	13,760	13,760	13,760
Converted debt to equity	1.00	2,521	2,521	-	-
Increase of shares due to compensation of financial advisors	1.00	200	200	-	-
At 31 December					
- ordinary shares	1.00	16,481	16,481	13,760	13,760

On 29 September 2010, the Extraordinary General Meeting of Shareholders No. 1/2553 passed the following resolutions.

1. Resolved to approve an increase in the authorised share capital of the Company from Baht 13,860 million to Baht 18,960 million, through the issuance of no more than 5,100 million shares with par value of Baht 1.
2. Resolved to approve the amendment of clause 4 of the Company's Memorandum of Association to correspond to the changes in the Company's capital.
3. Resolved to approve the allotment of no more than 5,100 million of the newly issued ordinary shares in consideration of conversion into shares pursuant to the bond restructure in a total amount 2,721 million shares.

On 3 December 2010, the Company registered the increase in the Company's authorised share capital with the Ministry of Commerce by Baht 5,100 million comprising 5,100 million shares with par value of Baht 1 per share.

As at 31 December 2009 (restated), the registered ordinary shares which were not issued and paid-up represented ordinary shares reserved for the exercise of warrants.

Shares issued

On 9 December 2010, the Company registered the increase in the Company's issued and paid-up share capital with the Ministry of Commerce by Baht 2,721 million comprising 2,721 million shares with par value of Baht 1 per share.

The allocation of shares issued was as (See Note 1.3(b) for details concerning the restructuring of the Bonds):

1. 2,521 million newly-issued ordinary shares were allocated to the shareholders of GS Notes. In this regards, the shareholders of GS Notes made payment for the Company's shares by transferring 252 million shares of GS Notes to the Company with the par value of Baht 10 per share. The exchange price was Baht 0.71 per share based on the market price of the Company's shares on 9 December 2010 (date of shares registration)
2. 200 million newly-issued ordinary shares were allocated to two financial advisors in respect of the bonds restructuring. The financial advisors made payment for the Company's newly-issued shares by transferring 20 million shares of GS Notes, with the par value of Baht 10 per share to the Company. The transfer price was Baht 0.45 per share based on the cash option price for the advisory services.

	Share capital	Share discount
	<i>Debit/(Credit)</i>	
	<i>(in million Baht)</i>	
<i>Shares issued for conversion of debt to equity</i>		
At 9 December 2010 <i>(Converted price of Baht 0.71 per share)</i>		
• Principal amount under the Bond Restructuring Program	(2,521)	731
<i>Shares issued to financial advisors</i>		
At 9 December 2010 <i>(Converted price of Baht 0.45 per share)</i>		
• Compensation to financial advisors of the Bond Exchange Program	(200)	100
Total	<u>(2,721)</u>	<u>831</u>

25 Additional paid-in capital and reserves

Share premium

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

Share premium (discount)

	Consolidated and Separate financial statements	
	2010	2009 (restated)
	<i>(in million Baht)</i>	
Share premium (discount)		
At 1 January	1,976	1,976
Conversion of debt to equity	(731)	-
Compensation to financial advisors of the Bond Exchange Program	(100)	-
At 31 December	1,145	1,976

Legal reserve

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

26 Warrants

On 12 January 2006, the Company issued 100 million warrants to directors and employees of the Company (ESOP) without charge. The warrants entitle the holders to subscribe for the Company's ordinary shares. The warrants are exercisable for a period of 5 years from the issue date, in a ratio of 1 warrant to 1 ordinary share. The exercise price is Baht 1 per share. The directors and employees can exercise one-third of all allocated warrants after the Company's shares have been traded on the SET for 1 year, 2 years and 3 years, respectively. The first date of exercise was on 30 March 2007 and the last date was on 11 January 2011.

The Company subsequently cancelled 23 million warrants since the employees who held them resigned, thus breaching the conditions under which such warrants were received. And the employees exercised 0.44 million ESOP warrants.

As at 31 December 2010 there were 76 outstanding warrants (2009 (restated): 76 warrants outstanding).

27 Segment information

Segment information is presented in respect of the Group's business segments and geographic segments based on the Group's management and internal reporting structure.

Business segments

Management considers that the Group operates in a single line of business, namely the production and distribution of hot rolled coils, and has, therefore, only one major business segment.

Geographic segments

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

The followings are the main geographic locations:

Segment 1	Domestic
Segment 2	Export

Revenue and results, based on business segments and geographic segments of the Group for the years ended 31 December 2010 and 2009 (restated) were as follows:

	Consolidated financial statements	
	2010	2009 (restated)
	<i>(in million Baht)</i>	
Segment revenue		
Domestic	22,152	20,271
Export	752	1,681
Total	22,904	21,952
Segment gross profit/(loss)		
Domestic	(459)	(8,338)
Export	68	(691)
Total	(391)	(9,029)

28 Selling expenses

	Consolidated financial statements		Separate financial statements	
	2010	2009 (restated)	2010	2009 (restated)
	<i>(in million Baht)</i>			
Commission expenses	-	3	-	3
Packing expenses	4	4	-	-
Domestic shipping expenses	219	236	96	140
Export shipping expenses	56	67	-	8
Total	279	310	96	151

29 Administrative expenses

		Consolidated financial statements		Separate financial statements	
	Note	2010	2009 (restated)	2010	2009 (restated)
		<i>(in million Baht)</i>			
Consulting expense		161	81	145	46
Consulting fee for Bonds restructuring	17	90	-	90	-
Idle cost - depreciation and amortisation expenses	34	245	341	168	194
Idle cost - other		168	276	114	143
Depreciation and amortisation expenses	34	156	211	82	37
Loss from disposal of assets	34	69	6	30	1
Personnel expenses		237	183	75	50
Demurrage charges		17	108	-	-
Others		265	183	117	83
Total		1,408	1,389	821	554

30 Employee benefit expenses

		Consolidated financial statements		Separate financial statements	
		2010	2009 (restated)	2010	2009 (restated)
		<i>(in million Baht)</i>			
Management					
Wages and salaries		63	61	38	29
Welfare		10	6	7	3
Contribution to provident fund		2	1	1	1
		75	68	46	33
Other employees					
Wages and salaries		461	444	195	200
Welfare		148	109	46	36
Contribution to provident fund		18	17	4	4
		627	570	245	240
Total		702	638	291	273

Membership to the provident funds is on a voluntary basis for the Company's and GJ Steel's employees. Contributions are made monthly by the employees at rates ranging from 2% to 10% of their basic salaries and by the Company and GJ Steel at rates ranging from 3% to 10% of the employees' basic salaries. The provident funds are registered with the Ministry of Finance as juristic entities and are managed by a licensed Fund Manager.

31 (Reversal of) bad and doubtful debt expenses

		Consolidated financial statements		Separate financial statements	
	Note	2010	2009 (restated)	2010	2009 (restated)
<i>(in million Baht)</i>					
Amount receivable from related parties	4	1	-	(102)	1,172
Loans to and interest receivable from related parties	4	-	-	23	2,330
Trade account receivable	7	297	369	572	211
Receivables from scrap sales	9	(469)	473	(469)	473
Other current assets	10	38	187	38	171
Total		(133)	1,029	62	4,357

32 Loss on impairment of assets

		Consolidated financial statements		Separate financial statements	
	Note	2010	2009 (restated)	2010	2009 (restated)
<i>(in million Baht)</i>					
Investment in subsidiaries	12	-	-	478	341
Advance payment for purchases of property, plant and equipment	13	2,613	129	2,601	-
Property, plant and equipment	14	8,654	1,587	5,904	1,566
Total		11,267	1,716	8,983	1,907

33 Other expenses

		Consolidated financial statements		Separate financial statements	
	Note	2010	2009 (restated)	2010	2009 (restated)
<i>(in million Baht)</i>					
Loss on write-off of tax benefit		-	947	-	-
Loss on sale of scrap with soil		853	205	853	205
Loss on sale of pig iron		561	-	561	-
Loss on purchase of inferior raw material	21	100	-	-	-
Loss on sale of investment	12	613	-	-	-
Loss on contract termination	21	289	-	289	-
Provision for tax-related liabilities	21	823	803	351	478
Total		3,239	1,955	2,054	683

Loss on write-off of tax benefit

During 2009 the Group wrote-off the tax benefit of Baht 948 million carried on the consolidated balance sheet as at 31 December 2008. Since 2008, the operations of GJ Steel were significantly affected by the global economic recession resulting in GJ Steel recording an operating loss of Baht 4,593 million for the year ended 31 December 2009 (restated). Under these circumstances, management considered the value of the recorded tax benefit to be impaired and wrote-off the tax benefit in the consolidated statement of income for the year ended 31 December 2009 (restated).

Loss on sale of pig iron

During the year ended 31 December 2010 the Company recorded a one-time charge of Baht 561 million on loss of sale of scrap. This charge is related to the Company's purchase and subsequent sale of 45,000 tons of pig iron that a supplier has had on consignment at the Company's site since late 2008. Under the consignment agreements in which the Company has been supplied scrap and pig iron (the Company's primary raw materials) in the past, the Company is typically required to consume the raw materials within 120-days of arrival at the Company's site. The Company has been slow to consume this pig iron because (a) the Company committed to purchase this material just prior to the global economic crisis in 2008 and the committed price was, on average, USD 756 per ton (or 86% higher than the prevailing global market price at the time of the subsequent sale) and (b) the Company's operations have been constrained by liquidity challenges making it difficult to purchase the consigned material. As a result of the aforementioned circumstances, the supplier agreed to release the pig iron to the Company with the understanding that the Company immediately sells the material back to the supplier at the prevailing market price at the time of sale (USD 405 per ton), thereby incurring the aforementioned loss. The loss has been recognised in the Company's income statement and the accounts payable balance owed to the supplier.

34 Expenses by nature

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

	Consolidated financial statements		Separate financial statements	
	2010	2009 (restated)	2010	2009 (restated)
	<i>(in million Baht)</i>			
<i>Included in cost of sales of goods:</i>				
Raw material and consumable used	19,656	24,894	7,448	11,241
Changes in inventories of finish goods	(914)	1,684	(817)	366
Depreciation and amortization	1,019	1,103	353	448
<i>Included in administrative expenses:</i>				
Depreciation and amortization (including in idle cost)	245	341	168	194
Depreciation and amortization	156	211	82	37
Operating lease expense	14	14	10	8
Loss from disposal of assets	69	6	30	1

35 Finance costs

		Consolidated financial statements		Separate financial statements	
	Note	2010	2009 (restated)	2010	2009 (restated)
		(in million Baht)			
Finance costs:					
Bonds		580	789	580	789
Financial institutions		502	821	20	28
Other parties		1,170	707	858	620
		<u>2,252</u>	<u>2,317</u>	<u>1,458</u>	<u>1,437</u>
Capitalised as cost of assets under construction	14	-	(259)	-	(259)
Net		<u>2,252</u>	<u>2,058</u>	<u>1,458</u>	<u>1,178</u>

36 Income tax expense

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

37 Promotional privileges

By virtue of the provisions of the Industrial Investment Promotion Act of B.E. 2520, the Company and GJ Steel have been granted privileges by the Board of Investment for the manufacturing of hot rolled coils, skin-passed coils, melted steel, steel billet and bloom, slab and pipe & tube in the case of the Company and for the manufacturing of hot rolled coils, direct reduced iron cold rolled/coated products, pickled and oiled products and re-Coiled and tempered products in the case of GJ Steel. The privileges granted include:

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

The Company has not earned income under the promotion certificate No. 1579(2)/2548 for the manufacture of skin-passed product and the promotion certificate No. 1829(2)/2549 for the manufacture of melted steel, steel billet and bloom, slab and pipe & tube.

As promoted companies, the Company and GJ Steel must comply with certain terms and conditions specified in the promotional certificates.

Summary of revenue from promoted and non-promoted businesses:

Consolidated financial statements					
	2010			2009 (restated)	
	Promoted businesses	Non- Promoted businesses	Total	Promoted Businesses	Non- Promoted businesses
	<i>(in million Baht)</i>				
Export Sale	752	-	752	1,510	171
Domestic Sale	14,302	7,850	22,152	10,550	9,721
Total Revenue	15,054	7,850	22,904	12,060	9,892

Separate financial statements					
	2010			2009 (restated)	
	Promoted businesses	Non- Promoted businesses	Total	Promoted Businesses	Non- Promoted businesses
	<i>(in million Baht)</i>				
Export Sale	-	-	-	-	171
Domestic Sale	-	7,856	7,856	-	9,669
Total Revenue	-	7,856	7,856	-	9,840

38 Loss per share

Basic loss per share

The calculation of basic loss per share for the years ended 31 December 2010 and 2009 (restated) was based on the loss for the year attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding during the years as follows:

	Consolidated financial statements		Separate financial statements	
	2010	2009 (restated)	2010	2009 (restated)
	<i>(in million shares)</i>			
Loss attributable to equity holders of the Company (basic)	(10,114)	(10,315)	(8,462)	(9,751)
Number of ordinary shares outstanding at 1 January	13,760	13,760	13,760	13,760
Effect of shares issued on 9 December 2010	172	-	172	-
Weighted average number of ordinary shares outstanding (basic)	13,932	13,760	13,932	13,760
Loss per share (basic) (in Baht)	(0.73)	(0.75)	(0.61)	(0.71)

The Company did not calculate the diluted loss per share after taking into account the exercise of warrants for the years ended 31 December 2010 and 2009 (restated) because the exercise price of the Company's warrants was higher than the fair value of the Company's ordinary shares.

39 Changes in accounting policy

With effect from 1 January 2010, GJ Steel changed its accounting policy with respect to the method used for calculating the value of finished goods from the specific method to the weighted average method as management considers it is more appropriate to the nature of the GJ Steel's business, and the weighted average method is consistent with the Company's accounting policy.

This change has the effect of decreasing and increasing the carrying amount of inventories as at 31 December 2010 and 2009 (restated) by Baht 1 million and Baht 0.1 million, respectively. The effect of the change in accounting policy is not material to the financial statements as a whole and, accordingly, GJ Steel has not made retrospective adjustments to the financial statements for the year 2009. GJ Steel received approval for this change from The Revenue Department on 19 October 2009.

40 Financial instruments

As at 31 December 2010 and 2009 (restated), the Group and the Company had not entered into any derivative contracts to hedge its exposure to foreign currency exchange risk.

Significant risks of financial instruments are summarised as follows:

Financial risk management policies

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

Interest rate risk

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

The effective interest rates of financial assets and financial liabilities as at 31 December 2010 and 2009 (restated) and the periods to maturity or re-pricing were as follows:

	Effective Interest rate (% per annum)	Consolidated financial statements			Total
		Within 1 year	After 1 year but within 5 years (in million Baht)	After 5 years	
2010					
<i>Financial assets :</i>					
Cash and cash equivalents	0.2 - 1.25	75	-	-	75
Trade account receivable	4	296	-	-	296
Current investment	0.65 - 1.25	5	-	-	5
Restricted deposits at financial institutions	0.75 - 2.5	3	201	-	204
		379	201	-	580

Consolidated financial statements					
	Effective Interest rate (% per annum)	Within 1 year	After 1 year but within 5 years (in million Baht)	After 5 years	Total
<i>Financial liabilities:</i>					
Short term loans from financial institutions	8.3 - 15.5	201	-	-	201
Short-term loans from other parties	2.5 -25	657	-	-	657
Current-portion of long-term loan from financial institutions	SIBOR + MARGIN	1,377	-	-	1,377
Bonds	3	372	670	-	1,042
Trade accounts payable	LIBOR+1 - 1.5 and 4.65 - 24.5	9,379	-	-	9,379
Advance received from customers	10	1,584	-	-	1,584
Total		13,570	670	-	14,240
<i>2009 (restated)</i>					
<i>Financial assets :</i>					
Cash and cash equivalents	0.5 -1.25	61	-	-	61
Trade Account Receivable	4.0	336	-	-	336
Current investment	0.75 - 2.75	3	-	-	3
Restricted deposits at financial institutions	0.75 - 2.75	-	200	-	200
		400	200	-	600
<i>Financial liabilities:</i>					
Short term loans from financial institutions	8.25	229	-	-	229
Short-term loans from other parties	2 – 13	481	-	-	481
Current-portion of long-term loan from financial institutions	SIBOR + MARGIN	2,133	-	-	2,133
Bonds	10.5	5,669	-	-	5,669
Trade accounts payable	LIBOR+1 - 1.5 and 4.65	9,222	-	-	9,222
Advance received from customers	10	1,584	-	-	1,584
Total		19,318	-	-	19,318

			Separate financial statements			
	Effective Interest rate (% per annum)	Within 1 year	After 1 year but within 5 years (in million Baht)	After 5 years	Total	
2010						
<i>Financial assets :</i>						
Cash and cash equivalents	0.5 - 1.3	18	-	-	18	
Trade Account Receivable	4.0	296	-	-	296	
Restricted deposits at financial institutions	1.4 - 2.5	3	24	-	27	
Receivable from related party for offsetting transaction	MLR+1	-	958	-	958	
Total		317	982	-	1,299	
<i>Financial liabilities :</i>						
Short-term loans from financial institutions	8.3 - 15.5	201	-	-	201	
Short-term loans from other parties	7.0 - 25.0	518	-	-	518	
Bonds	3	372	670	-	1,042	
Trade accounts payable	LIBOR+1-1.5 and 4.65 - 24.5	6,882	-	-	6,882	
Advance received from customers	10	1,584	-	-	1,584	
Total		9,557	670	-	10,227	
2009 (restated)						
<i>Financial assets :</i>						
Cash and cash equivalents	0.5 - 1.3	18	-	-	18	
Trade Account Receivable	4	336	-	-	336	
Restricted deposits at financial institutions	1.4 - 2.5	8	24	-	32	
Total		362	24	-	386	
<i>Financial liabilities :</i>						
Short-term loans from financial institutions	8.3 - 15.5	229	-	-	229	
Short-term loans from other parties	9 - 10	407	-	-	407	
Bonds	10.5	5,668	-	-	5,668	
Trade accounts payable	LIBOR+1-1.5 and 4.65	6,644	-	-	6,644	
Advance received from customers	10	1,584	-	-	1,584	
Total		14,532	-	-	14,532	

Liquidity risk

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

The Group and the Company have liquidity risk as the Group and Company need to generate sufficient operating cash flows to meet both their working capital requirements and their operating obligations, including obligations under the rehabilitation plan (see Note 1.2).

Foreign currency risk

The Group and the Company are exposed to foreign currency risks relating to purchases and sales which are denominated in foreign currencies. As at 31 December, the Group and the Company were exposed to foreign currency risks in respect of financial assets and liabilities denominated in the following currencies:

		Consolidated financial statements		Separate financial statements	
	Note	2010	2009 (restated)	2010	2009 (restated)
(in million Baht)					
<i>United States Dollars</i>					
Cash and cash equivalents	6	13	14	4	3
Trade accounts receivable	7	107	464	93	104
Other current assets	10	266	518	66	381
Restricted deposit at financial institutions	11	2	2	2	2
Short-term loans from financial Institution		(161)	(208)	(161)	(208)
Short-term loans from other parties		(412)	(387)	(383)	(367)
Current portion of long term loan from financial institutions		(1,377)	(2,133)	-	-
Bonds		(1,041)	-	(1,041)	-
Trade accounts payable	18	(9,702)	(8,097)	(7,404)	(5,127)
Advance received from customers	19	(1,584)	(1,584)	(1,584)	(1,584)
Accrued expense		(380)	(99)	(117)	(64)
Accrued interest expenses	20	(2,400)	(1,548)	(1,624)	(1,320)
Provision for losses related to performance guarantees		(678)	(620)	-	-
Other current liabilities	22	(206)	(781)	(179)	(369)
Liabilities under rehabilitation plan	23	(95)	(105)	-	-
Gross balance sheet exposure		(17,648)	(14,564)	(12,328)	(8,549)
Estimated forecast sales		-	262	-	-
Estimated forecast purchases		(5,039)	(10,049)	(2,261)	(7,334)
Gross exposure		(22,687)	(24,351)	(14,589)	(15,883)

		Consolidated financial statements		Separate financial statements	
	Note	2010	2009 (restated)	2010	2009 (restated)
		(in million Baht)			
Others					
Other current assets	10	34	52	17	37
Trade accounts payable	18	(98)	(122)	(96)	(121)
Accrued expenses		(10)	(14)	-	-
Other current liabilities	22	(16)	(18)	(11)	(11)
Liabilities under rehabilitation plan	23	(13)	(24)	-	-
Gross balance sheet exposure		(103)	(126)	(90)	(95)
Estimated forecast purchases		(312)	(375)	(35)	(336)
Gross exposure		(415)	(501)	(125)	(431)

Determination of fair values

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

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

The fair value of non-derivative financial liabilities, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

The fair value of financial assets and liabilities is close to the carrying value in the balance sheets as at 31 December 2010 and 2009 (restated).

Maturities of financial assets and liabilities

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

Capital management

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

41 Restatement of financial statements

On 16 August 2010, the Company's Board of Directors approved a decision to restate the Company's and the Group's previously-issued 2009 financial statements following a request to do so by the Thai Securities and Exchange Commission (the "SEC") and to correct the following errors which were made during these years as a result of (A) the Company's and GJ Steel's previously under-recorded historical supplier liabilities (and the Company's associated overstatement of current assets and non-current assets), (B) GJ Steel's provisions for losses related to performance guarantees and the Company's provisioning of a related receivable, (C) the Company's, OAC's and GJ Steel's provisions for under-recorded tax obligations and (D) the Company's decision to adjust an unusable scrap charge originally taken in the three-month period ended 31 March 2009 to the year ended 31 December 2008.

The cumulative effects of the restatement of financial statements to the consolidated and separate balance sheets as at 31 December 2009 are as follows:

	Consolidated financial statements		Separate financial statements	
	Note 31 December 2009	Restatements 31 December 2009 (restated)	31 December 2009	31 December 2009 (restated)
			<i>(in million Baht)</i>	
Current assets				
Cash and cash equivalents	61	-	61	18
Current investments	3	-	3	-
Trade accounts receivable	1,194	(104)	1,090	(104)
Amounts receivable from related parties	-	-	-	-
Inventories	1,750	-	1,750	691
Other current assets	699	(17)	682	483
Total current assets	3,707	(121)	3,586	(161)
			2,683	2,522
Non-current assets				
Restricted deposits at financial institutions	200	-	200	32
Investments in subsidiaries	-	-	-	3,503
Receivable from related party for offsetting transaction	-	-	-	992
Long-term loans to and receivable from others	70	-	70	-
Advance payment for purchases of property, plant and equipment	3,938	-	3,938	3,821
Property, plant and equipment	47,834	-	47,834	23,304
Intangible assets	93	-	93	31
Other non-current assets	631	(20)	611	311
Total non-current assets	52,766	(20)	52,746	31,994
			32,014	31,994
Total assets	56,473	(141)	56,332	(181)
			34,697	34,516

	Consolidated financial statements		Separate financial statements	
	Note	31 December 2009	Restatements	31 December 2009
		(restated)	(in million Baht)	(restated)
Current liabilities				
Short-term loans from financial institutions		229	-	229
Trade accounts payable	A	6,659	3,095	4,360
Current portion of liabilities which were included under rehabilitation plan		15	-	15
Current portion of long-term loan from financial institutions		2,133	-	-
Bonds		5,669	-	5,669
Short-term loan from other parties		481	-	407
Advances received from customers		3,367	-	1,784
Accrued expenses	C	1,954	(786)	819
Accrued interest expenses	A	938	618	751
Provisions	A,B	508	1,469	393
Other current liabilities	C	1,841	207	1,161
Total current liabilities		23,794	4,603	15,588
				2,714
				18,302
Non-current liabilities				
Liabilities which were included under rehabilitation plan-net of current portion	A	1,080	(128)	691
Total non-current liabilities		1,080	(128)	563
Total liabilities		24,874	4,475	16,279
				2,586
				18,865

	Consolidated financial statements		Separate financial statements	
Note	31 December 2009	Restatements 31 December 2009 (restated)	31 December 2009	31 December 2009 (restated)
			<i>(in million Baht)</i>	
Equity				
Share capital	13,860	-	13,860	-
Authorised share capital	13,760	-	13,760	-
Issued and paid-up share capital				
Surplus on ordinary shares	1,977	-	1,977	-
Share premium	206	-	206	-
Premium on capital reduction				
Retained earnings	764	-	764	-
Appropriated-legal reserve	5,056	(3,702)	1,354	(2,767)
Unappropriated			1,711	(1,056)
Total equity attributable to equity holders	21,763	(3,702)	18,061	(2,767)
Minority interest	9,836	(914)	8,922	-
Total equity	31,599	(4,616)	26,983	(2,767)
Total liabilities and equity	56,473	(141)	56,332	(181)
			34,697	34,516

E

The effects of the restatement of financial statements to the consolidated and separate income statements for the year ended 31 December 2009 are as follows:

	Consolidated financial statements			Separate financial statements		
Note	31 December 2009	Restatements	31 December 2009 (restated)	31 December 2009	Restatements	31 December 2009 (restated)
			(in million Baht)			
Revenues						
Revenue from sale of goods and rendering of production services	21,952	-	21,952	9,840	-	9,840
Revenue from rendering of services	-	-	-	403	-	403
Reversal of devaluation of inventories	2,257	1,632	3,889	443	1,633	2,076
Net foreign exchange gain	644	142	786	448	114	562
Other income	290	146	436	107	146	253
Total revenues	25,143	1,920	27,063	11,241	1,893	13,134
Expenses						
Cost of sale of goods and rendering of production services	27,701	3,281	30,982	11,441	2,234	13,675
Selling expenses	310	-	310	151	-	151
Administrative expenses	2,089	(700)	1,389	1,062	(508)	554
Management benefit expenses	68	-	68	33	-	33
Loss on confirmed purchase orders for undelivered raw materials	508	(32)	476	393	(45)	348
Loss on impairment of assets	1,587	128	1,715	1,907	-	1,907
Losses related to performance guarantees	-	620	620	-	-	-
Bad and doubtful debts expense	1,054	(25)	1,029	4,253	104	4,357
Other expenses	1,152	803	1,955	204	478	682
Total expenses	34,469	4,075	38,544	19,444	2,263	21,707
Loss before finance costs	(9,326)	(2,155)	(11,481)	(8,203)	(370)	(8,573)
Finance costs	(1,566)	(492)	(2,058)	(729)	(449)	(1,178)
Loss for the period	(10,892)	(2,647)	(13,539)	(8,932)	(819)	(9,751)

	Consolidated financial statements			Separate financial statements		
Note	31 December 2009	Restatements	31 December 2009 (restated)	31 December 2009	Restatements	31 December 2009 (restated)
			(in million Baht)			
Attributable to:						
Equity holders of the company	(8,581)	(1,734)	(10,315)	(8,932)	(819)	(9,751)
Minority interests	(2,311)	(913)	(3,224)	-	-	-
Loss for the year	(10,892)	(2,647)	(13,539)	(8,932)	(819)	(9,751)
Basic loss per share (Baht)	(0.62)	(0.13)	(0.75)	(0.65)	(0.06)	(0.71)

The Group's management explanation for the adjustments which have been made to correct the previously-made errors is as follows:

(A) *Previously under-recorded historical supplier liabilities*

During 2010, the Company and GJ Steel were informed by four raw material suppliers, one of which is a supplier in common to both the Company and GJ Steel (the "Suppliers"), that the balances owed to the Suppliers was higher than the amounts previously recorded by the Company and GJ Steel. Upon continued discussion and reconciliation with the Suppliers, it was determined that the Suppliers' principal claims were correct. The differences stemmed from historical periods when the global financial crisis significantly impacted the value of delivered raw materials. During this period of extraordinary pricing volatility there were negotiations with the Suppliers in regards to potentially obtaining discounts to the prices confirmed in the original purchase orders, some of which covered raw materials under consignment agreements. As a result of the misunderstanding between the Company and the Suppliers and GJ Steel and its Suppliers concerning negotiated discounts, the Company and GJ Steel originally recorded losses on the values for inventories, provisional losses of confirmed purchase orders, and resulting costs of goods sold and accounts payables that were different from those reconciled with the Suppliers. The Company and GJ Steel have since reconciled their accounts with the Suppliers. As a result of this reconciliation and updated management views on the liabilities owed to the Suppliers, the Company and GJ Steel have decided to reissue its reporting of the respective differences in inventory losses, provisional losses of confirmed purchase orders, and the resulting costs of goods sold and accounts payables as noted in the above tables. The Company is also restating the deposits placed with certain Suppliers as prepayments for future deliveries of raw materials (reflected in the Company's other current assets and other non-current assets accounts). Furthermore, the Company and GJ Steel are restating the interest charges (reflected in the Company's and GJ Steel's finance costs and accrued interest expenses) related to the associated understatement of principal balances and corresponding accounts payable for the raw materials placed on consignment. The final adjustment required pursuant to the Company's and GJ Steel's reconciliation with the Suppliers is with respect to the net foreign exchange gains and losses during the restated periods as the agreements with the Suppliers are denominated in foreign currency.

In addition, during the supplier balance confirmation process, one of the Company's utility suppliers confirmed that balances incurred prior to the Company's rehabilitation plan had been forgiven whilst these balances had remained recorded in the Company's liabilities under rehabilitation plan. The restatement also provides for the necessary adjustment to this liability.

(B) *Provision for losses related to performance guarantees*

The Company and GJ Steel may face claims from two end-use customers (the "End-Use Customers") related to an agreement covering the supply of hot-rolled coils. Following further review by the Company's and GJ Steel's management during 2010, GJ Steel has decided to retrospectively record provisional charges related to these potential claims and reissue its financial statements to show the impact of recording these provisional charges during the historical period in which these provisional charges should have been recorded (for the year ended 31 December 2009 (restated)). The amount of provision recorded as at 31 December 2009 (restated) was USD 18 million (Baht 620 million).

The potential claims stem from a commercial decision made by the Company and GJ Steel just prior to the market turmoil and downturn stemming from the late 2008 global financial crisis. During this period, GJ Steel was approached by an intermediary retailer of hot-rolled coils (the “Intermediary”) with whom GJ Steel had previously conducted business whereby the Intermediary committed to sell hot-rolled coil products to the End-Use Customers. The Intermediary agreed to purchase the hot-rolled coils at an increased price due to the extended credit terms and a delivery guarantee offered by GJ Steel to the End-Use Customers. The End-Use Customers also required and were provided with the joint and several guarantee of the Company for the Intermediary’s performance. GJ Steel has since been informed by the End-Use Customers that the Intermediary failed to perform its commitments. The End-Use Customers are now seeking relief from GJ Steel to the extent that they have not received value from the Intermediary. However, neither of the End-Use Customers has taken legal action against the Company or GJ Steel.

Given the joint and several nature of the guarantee provided by the Company, the Company is also disclosing these non-duplicative amounts as a contingent liability as stated in Note 44.1.

One of the End-Use Customers was also a customer of the Company. The End-Use Customer owed the Company USD 3.1 million (Baht 104 million) for a prior delivery of hot-rolled coils that took place during the year ended 31 December 2008 (“End-Use Customer Receivable”). The End-Use Customer provided the Company with notice that it was offsetting payment of the End-Use Customer Receivable against the value of the aforementioned performance guarantee. Given GJ Steel’s recognition of the provisional charges related to the performance guarantee in the restated year ended 31 December 2009, the Company is likewise recording a full provision of the End-Use Customer Receivable during the same restated period. Refer to Note 45.3 for details of events which took place subsequent to 31 December 2010 which will impact the provision carried during the first quarter of 2011 and the status of the Company claim related to the USD 3.1 million offset applied by one of the End-Use Customers.

(C) *Provision for taxes*

During its review of prior periods, the Company, OAC and GJ Steel have discovered that they have under-recorded certain of their tax-related obligations. The Company, OAC and GJ Steel have commenced formal discussions to remediate these errors with the relevant tax authorities. The Company, OAC and GJ Steel have recorded their corrected assessment of these tax obligations and have made assessments for potential penalties and surcharges. The effects of these adjustments are reflected in the Company’s separate and consolidated other current assets, provision for taxes, other current liabilities, accrued expenses and administrative expenses. Accrued expenses are reduced and other current liabilities are increased as a result of a reclassification of potentially-applicable penalties for Group presentation consistency.

(D) *Timing adjustment for loss on scrap with soil*

During its review of prior periods, the Company determined that a provisional expense assessed for unusable raw materials originally recorded during the three-month period ended 31 March 2009 totalling Baht 1,585 million is more appropriately recognized during the year ended 31 December 2008. “Unusable raw material” refers to scrap or pig iron that is determined to have an excessive concentration of impurities which would, if used, result in unsafe operations or the production of unsalable hot-rolled coils. The inventory to which the provisional expense was applied was in the Company’s inventory during year ended 31 December 2008. As such, the Company has determined that it is more appropriate to accelerate the provisional charge to the period in which these materials would have been deemed unusable by the Company.

(E) Retained deficit

The retained deficit account adjustments represent the summation of the adjustments referenced in the above Notes A through D.

42 Commitments with non-related parties

42.1 Commitments

	Consolidated financial statements		Separate financial statements	
	2010	2009 (restated)	2010	2009 (restated)
	<i>(in million Baht)</i>			
Capital commitment				
<i>Contracted but not provided for</i>				
Land	58	105	-	-
Buildings and other constructions	88	90	83	85
Machinery and equipment	345	3,808	270	3,725
Total	491	4,003	353	3,810
Lease and service agreement commitments				
Within one year	9	7	5	5
After one year but within five years	14	16	9	16
Total	23	23	14	21
Other commitments				
Bank guarantees	488	436	295	267

Refer to Note 45.4 for details of contract terminations with respect to the Company's earlier-planned capital projects.

As at 31 December 2010 and 2009 (restated), the Company had a credit facility of Baht 238 million for bank guarantees with a domestic bank which was collateralised by shares of public companies held by the directors and a related party.

Refer to Note 17 for details of OAC's commitments under the Standstill Agreement with the Lenders.

42.2 Lease and service agreements commitments

The Company

- a) The Company has entered into agreements for the provision of raw materials, raw water and water supply management. The Company is to pay service fees related to raw materials management, raw water and water supply management based on the quantity used.
- b) The Company has entered into agreements to purchase natural gas. The Company is required to pay service fees under these agreements at variable rates based on the quantity of gas consumed.
- c) On 1 January 1999, the Company entered into a twenty-year take-or-pay agreement to purchase oxygen, argon and nitrogen. Minimum payments under the agreement amount to approximately Baht 8 million per month.

	2010	2009
	<i>(in million Baht)</i>	
Long-term agreement commitments		
Within one year	100	104
After one year but within five years	401	416
After five years	301	416
Total	802	936

- d) On 26 October 2006, the Company's Board of Directors approved the Company's entrance into the "Energy Service Agreement" with an electricity supply company, and later amended and restated the contract on 16 May 2008, in order to have an alternate source of electricity supply. Electricity is the primary utility input in the Company's production process. Details of the Energy Service Agreement are as follows:
 - The term of the agreement is 25 years from the substantial completion date, which is currently anticipated in November 2010.
 - The capacity for the electricity supply under the agreement is 70 MW at 230kV.
 - The purchase price, computed from the combined factors of the capacity charge and the energy charge, is directly proportionate to the Thai Baht - USD exchange rate and PTT (Thailand's state natural gas supplier)'s natural gas price.
 - The contract contains a minimum "Take or Pay" clause.
 - The Company is subject to a substation and transmission facilities fee of Baht 0.8 million each month for 120 months starting from the substantial completion date.
 - The Company needs to provide payment security of at least Baht 270 million.

GJ Steel

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

	2010 (in million Baht)	2009
<i>Long-term agreement commitments</i>		
Within one year	71	71
After one year but within five years	282	282
After five years	624	695
Total	977	1,048

42.3 Raw material purchase orders

The Company

As at 31 December 2010, the Company had outstanding purchase orders for raw materials that have not been delivered to the Company totalling Baht 2,279 million (2009 (restated): Baht 3,246 million). Some of these orders were placed in the third quarter of 2008 when prices were significantly in excess of current market prices. The Company has increased orders during the year 2009 in order to decrease the average cost of raw materials. The Company has estimated the loss in respect of outstanding purchase orders of raw materials that have not been delivered based on a comparison with the anticipated economic benefits received from estimated sales price realizations and the conversion costs of finished products, and the Company has recorded the provision for this loss totalling Baht 126 million as at 31 December 2010 (2009 (restated): Baht 348 million).

The Company had agreements to purchase raw materials with various overseas suppliers under consignment agreement under which the ownership of unreleased raw materials belongs to the suppliers. The Company has to pay interest at LIBOR + 1% to LIBOR + 1.5% per annum on the unreleased raw materials from the boarding date on ship through the date on which the materials have been fully paid. (2009 (restated): LIBOR + 1% to LIBOR + 1.5% per annum)

GJ Steel

As at 31 December 2010, GJ Steel had outstanding purchase orders for raw materials that have not been delivered to GJ Steel totalling Baht 2,277 million (2009 (restated): Baht 2,468 million). Some of these orders were placed since the third quarter of 2008 when prices were significantly higher than current market prices. Since the first quarter of 2009, new purchase orders were placed in order to reduce the average cost when GJ Steel releases the raw material into production. GJ Steel has estimated the provision for loss in respect of outstanding purchase orders for raw materials that have not been delivered at approximately Baht 128 million based on a comparison with the economic benefits expected to be received from prevailing market selling prices for finished products and the estimated conversion costs of finished products and has recorded the provision for this loss in the financial statements for the year ended 31 December 2009 (restated).

GJ Steel had agreements to purchase raw materials with various overseas suppliers for purchase of raw materials under consignment agreements, under which the ownership of unreleased raw material belongs to the suppliers. GJ Steel has to pay interest at from 2% to 12% per annum on the unreleased raw materials and on the payables balance from the shipment date until the date on which full payment is made. (2009 (restated): 2% to 6% per annum and MLR)

42.4 Customer advances

As of 31 December 2010, the Company had received advances from customers totalling Baht 2,183 million (2009 (restated): Baht 1,785 million) and had the obligation to deliver goods to the customers in the future. GJ Steel had received similar advances totalling Baht 1,408 million as at 31 December 2010 (2009 (restated): Baht 1,583 million).

42.5 Financial advisory agreements

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

43 Litigation

The Company and GJ Steel had the following pending litigation:

43.1 The Company

a) Supplier complaint cases

Five suppliers filed complaints against the Company for the breach of sale and purchase agreements and a hire of work agreement.

Currently, there is one case pending with the court in which the supplier has demanded damages in principal amounts of Baht 0.5 million. The claimant has also demanded interest on his claim accruing at the rate of 7.5% per annum from the date on which the complaint was filed through the date of full repayment. The interest component of this claim has not been recorded by the Company. The Company has recorded Baht 0.5 million principal amount of these claims within “Trade Accounts Payable” and “Advances received from customer” as at 31 December 2010. No provision has been recorded in respect of the accrued interest in connection with these claims.

Currently, the court has ruled its judgement in favour of four suppliers totalling Baht 38.6 million including interest at the rate of 7.5% and 15% per annum. The Company has recorded the Baht 34.7 million principal amount of these claims within “Trade Accounts Payable” as at 31 December 2010. No provision has been recorded in respect of the accrued interest in connection with these claims.

b) Supplier arbitration cases

Three suppliers filed complaints against the Company via arbitration processes for the breach of sale and purchase agreements and demanded damages of USD 87.7 million (Baht 2,658 million). Currently, one arbitration case is pending.

Details of the three arbitration cases are as follows:

b.1) American Arbitration Association

According to Case No. 50 192 T 00526 09, the claimant filed a complaint against the Company for the alleged breach of the conditions of a purchase agreement and demanded damages in the amount of USD 3.0 million of principal including interest at the rate of 15% per annum. The Company has recorded the USD 2.5 million principal amount of these claims within “Trade Accounts Payable” as at 31 December 2010. No provision has been recorded in respect of the accrued interest in connection with these claims. Currently, this case is pending before the arbitrator.

b.2) Singapore International Arbitration Centre

- (i) According to Case No. ARB092/08/MM, the claimant filed a complaint against the Company for the alleged breach of the conditions of a purchase agreement and demanded damages in the amount of USD 2.9 million of principal including interest at the rate of 15% per annum.

The Company has recorded the USD 2.4 million principal and USD 0.6 million of interest in connection with these claims within “Trade Accounts Payable” and “accrued interest expense” as at 31 December 2010.

Currently, the tribunal made its final award and ordered that Company pay the claimant the following sums:

1. The principal sum of USD 2.4 million
2. Interest totalling USD 0.6 million
3. Costs of the arbitration of Singapore \$ 0.2 million and
4. Legal costs of USD 0.2 million.

This case has been resolved between the Company and the counterparty since the reporting date. Refer to Note 45.2 for details.

- (ii) According to Case No. ARB115/09/MM- ARB124/09/MM, the claimant filed multiple complaints against the Company for the alleged breach of the conditions of the purchase and sale agreements in the amount of USD 81.8 million. In addition, the claimant is seeking interest accruing at the rate of 10% per annum. The Company has booked in the Company’s Financial Statement for USD 78.4 million in principal and USD 16.3 million of interest in connection with these claims within “Trade Accounts Payable,” “Advance from customer” and “Accrued interest expense” as at 31 December 2010.

Currently, the tribunal made its final award and ordered that Company pay the claimant the following sums:

1. USD 93.7 million in respect of non-prepayment, outstanding payments plus interest at the rate of 10% per annum to the date of the award.
2. USD 0.4 million in respect of legal costs and expenses incurred in connection with the arbitration, the Tribunal’s fees and the Singapore International Arbitration Centre’s charges.

This case has been resolved between the Company and the counterparty since the reporting date. Refer to Note 45.2 for details.

43.2 GJ Steel

a) Central Intellectual Property and International Trade Court

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

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

(b) South Bangkok Civil Court

- (i) According to Black Case No. 280/2552, on 27 February 2009 N.T.S. Steel Group PCL filed a complaint against GJ Steel for the alleged breach of the conditions of a water purchase agreement and demanded damages in the amount of Baht 8 million including interest of 7.5% per annum. On 30 November 2009, the South Bangkok Civil Court rendered its judgment on this complaint in favour of N.T.S. Steel Group PCL under which GJ Steel has been ordered to pay these amounts. On 29 January 2010, GJ Steel filed an appeal against the judgment of the South Bangkok Civil Court. Presently, this case is pending at the court. GJ Steel has provided for the Baht 4.3 million principal amount of this claim within "Trade Accounts Payable" as at 31 December 2010 and 2009 (restated). No provision has been recorded in respect of the accrued interest in connection with this claim.
- (ii) According to Black Case No. 1201/2553, on 5 July 2010 Sriracha Harbour PCL filed a complaint against GJ Steel for the alleged breach of a hire of work agreement and demanded damages of Baht 111 million including interest at the rate of 15 % per annum. Presently, this case is pending in the court. GJ Steel has provided for the Baht 83.6 million principal amount within "Trade Accounts Payable" as at 31 December 2010 and 2009 (restated). No provision has been recorded in respect of the accrued interest in connection with this claim.
- (iii) Two suppliers filed complaints against GJ Steel for the breach of sale and purchase and hire of work agreements and demanded damages in the amount of Baht 5 million including interest at 7.5% per annum. Presently, these cases are pending in the court. GJ Steel has provided for the Baht 5 million principal amount of these claims within "Trade Accounts Payable" as at 31 December 2010 and 2009 (restated). No provision has been recorded in respect of the accrued interest in connection with these claims.

44 Contingent liabilities

44.1 Performance guarantees issued to the End-Use Customers

As referenced in Note 41(B), GJ Steel has recorded provisional liabilities attributable to potential claims from the End-Use Customers under performance guarantees issued to the End-Use Customers on a joint and several basis by GJ Steel and the Company. GJ Steel has recorded provisional liabilities with respect to these claims as at 31 December 2010. As noted in Note 45.3, this matter has been settled between GJ Steel and the End-Use Customers after the reporting date. While GJ Steel has taken direct responsibility for these liabilities, the Company remains a guarantor under the original obligation should GJ Steel fail to adhere to the terms of the recent agreement.

44.2 Differences in amounts claimed by suppliers

GJ Steel was presented with interest claims from one raw material supplier in excess of the amount that has been contractually agreed with GJ Steel. This claim is USD 0.6 million (Baht 18 million). GJ Steel has not provided for this claim as it does not consider the interest charges to be consistent with the terms of the underlying agreement with this supplier.

45 Events after the reporting date

45.1 Announced Transaction with a Strategic Partner

On 1 March 2010, the Board of Directors of both the Company and GJ Steel approved the execution of transaction documents governing a proposed investment by AM. The transaction involves a number of agreements outlined as follows.

Company Subscription Agreement

Under the terms of the equity subscription agreement between AM and the Company (the “Subscription Agreement”), AM will make an equity investment in the Company by purchasing 11,919 million newly issued shares in the Company at a minimum share price of Baht 0.63 per share (Baht 7,509 million). The investment by AM will provide AM with a 40.0% ownership position in the Company.

The Subscription Agreement is subject to various conditions precedent, including:

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

- Amendment of the Articles of Association of the Company and GJ Steel in order to increase the foreign shareholding limit of the Company and GJ Steel

GJ Steel Subscription Agreement

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

USD 500 million Credit Facility Agreement

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

Business Assistance Agreement

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

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

45.2 Further Creditor Restructuring

Since 31 December 2010, the Company and GJ Steel have entered into various debt restructuring agreements with certain major trade creditors (the “Major Trade Creditors”) with debt claims in excess of USD 2.5 million. The Company has entered into agreements with five such creditors with debt claims in excess of USD 229 million (Baht 7,071 million) as at 31 December 2010. GJ Steel has entered into agreements with three Major Trade Creditors representing USD 63 million (Baht 1,913 million) of debt claims.

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

- Accrued interest on the Major Trade Creditor debts was capped at their 30 September 2010 amounts.
- The Company and GJ Steel have a repayment grace period through 31 December 2011 during which time they do not pay any debt service to the Major Trade Creditors
- The Company and GJ Steel repay the debts owed to the Major Trade Creditors in accordance with the following schedule:
 - 5% paid upon acquisition of newly issued shares by a new investor
 - 10% paid in equal quarterly installments (2.50% per payment) during 2012
 - 15% paid in equal quarterly installments (3.75% per payment) during 2013
 - 20% paid in equal quarterly installments (5.00% per payment) during 2014
 - 25% paid in equal quarterly installments (6.25% per payment) during 2015
 - 25% paid in equal quarterly installments (6.25% per payment) during 2016
 - Interest accrues during the repayment period at 1.00% per annum and is repaid in 4 equal quarterly installments in 2016

In addition to the Major Trade Creditors, the Company and GJ Steel have entered into other debt restructuring agreements with other onshore and offshore trade creditors with varying repayment terms. The total claims restructured by the Company, other than the Major Trade Creditors, are Baht 139 million based on 31 December 2010 balances. GJ Steel has restructured Baht 1,096 million with trade creditors other than the Major Trade Creditors based on 31 December 2010 balances

Concurrent with the execution of the recapitalization transaction with AM, the Company will be taking further steps with respect to the restructuring of its debt. The provider of the Overseas Loan (see Note 17) has reached an agreement with the Company to convert its debt claim to equity in the Company. This debt conversion will take place immediately before the closing of the transaction with AM. The Overseas Loan provider will suspend all interest accruals as at 28 February 2011 and convert its debt claim into 547 million shares of the Company.

Also concurrent with the execution of the recapitalization transaction with AM, the Loan from shareholder representing the Lenders’ forced sale of the Pledgor’s Property (see Note 17) will be retired via the Company’s issuance of 850 million newly-issued shares of the Company. On 4 March 2011, the Company’s Board of Directors approved the Company’s assumption of this OAC obligation as a result of (a) the Company’s guarantee of this obligation under the claimant’s rights of subrogation and (b) OAC’s inability to return the Pledgor’s Property following the anticipated conversion of OAC’s Overdue Service Balance owed by GJ Steel into equity of GJ Steel.

45.3 Effects of the Major Trade Creditor Restructuring on Performance Guarantees Provided to End-Use Customers

In the case of GJ Steel, two of the aforementioned Major Trade Creditors are the End-Use Customers referenced in Note 41(B). Under the terms of the agreements GJ Steel has entered into with the two End-Use Customers, GJ Steel has agreed to assume direct claim responsibility for the Intermediary's failure to perform under contracts with the End-Use Customers. As GJ Steel has arrived at this negotiated settlement with these two End-Use Customers, GJ Steel will reverse provisions associated with the performance guarantees and record direct liabilities owed to the End-Use Customers in accordance with the above Major Trade Creditor restructuring terms (the "GJ Steel Performance Guarantee Settlement"). The Company will write-off the previously-provisioned USD 3.1 million receivable owed by one of the End-Use Customers and used by that End-Use Customer to offset a portion of its performance guarantee claim (the "Company End-Use Customer Receivable Write-Off"). The Company has been advised by legal counsel that its claims associated with the Company End-Use Customer Receivable Write-Off are best pursued against the Intermediary and not GJ Steel.

Furthermore, as one of the End-Use Customers was also the supplier of the inferior raw material sold to GJ Steel as detailed in Note 21, GJ Steel and this End-Use Customer have reached an agreement as to how to settle the raw material claim in conjunction with their entrance into the debt restructuring agreement. The supplier of the inferior raw material, and also End-Use Customer, has agreed to reduce its debt claim against GJ Steel by USD 0.6 million (Baht 18 million) as a full and final settlement for GJ Steel's raw material claim.

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

45.4 Equipment Supplier Terminations

Subsequent to the close of the reporting period, the Company entered into an agreement with an equipment supplier who was contracted to sell the Company equipment in conjunction with the Company's hot-rolled coil expansion project. This equipment supplier had originally claimed USD 10.8 million of termination costs from the Company as reported in Note 41.3 in the Company financial statements for the period ending 30 September 2010. The Company and the equipment supplier entered into a termination agreement under which the Company agreed to pay the supplier USD 4.5 million over a 5-year period. The Company has previously recorded USD 5.8 million as a provisional liability associated with this termination.

Additionally, the Company has executed memorandums of understanding ("MOUs") with 6 other equipment suppliers who were contracted to provide the Company with various equipment components under its expansion and downstream projects. These MOUs outline an agreement between the Company and the suppliers with respect to the termination of their contracts. As a result of these MOUs, the Company has removed the obligations from its commitments reported in Note 42.1. Furthermore, the Company has recorded additional provisional liabilities of Baht 100 million (when compared to the period ending 30 September 2010) in conjunction with anticipated termination costs associated with these contracts as referenced in the MOUs.

45.5 Adjustment of Non-Performing Customer Payment Schedules

On 4 March 2011, the Company's Board of Directors agreed to revisions of the Non-Performing Customers' accounts receivable repayment schedules (see Note 7). Under the original repayment schedules, the two Non-Performing Customers were due to make instalment payments to the Company through December 2011 and December 2012, respectively. As the Non-Performing Customers have communicated with the Company that their cash flow circumstances require extensions of the repayment schedules through April 2013, the Company has agreed to these requests. The Non-Performing Customers' accounts receivable balances have been previously fully-provisioned by the Company.

46 Thai Financial Reporting Standards ("TFRS") not yet adopted

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

TFRS	Topic	Year effective
TAS 1 (revised 2009)	Presentation of Financial Statements	2011
TAS 2 (revised 2009)	Inventories	2011
TAS 7 (revised 2009)	Statement of Cash Flows	2011
TAS 8 (revised 2009)	Accounting Policies, Changes in Accounting Estimates and Errors	2011
TAS 10 (revised 2009)	Events after the Reporting Period	2011
TAS 11 (revised 2009)	Construction Contracts	2011
TAS 16 (revised 2009)	Property, Plant and Equipment	2011
TAS 17 (revised 2009)	Leases	2011
TAS 18 (revised 2009)	Revenue	2011
TAS 19	Employee Benefits	2011
TAS 20 (revised 2009)	Accounting for Government Grants and Disclosure of Government Assistance	2013
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates	2013
TAS 23 (revised 2009)	Borrowing Costs	2011
TAS 24 (revised 2009)	Related Party Disclosures	2011
TAS 26	Accounting and Reporting by Retirement Benefit Plans	2011
TAS 27 (revised 2009)	Consolidated and Separate Financial Statements	2011
TAS 28 (revised 2009)	Investments in Associates	2011
TAS 29	Financial Reporting in Hyperinflationary Economies	2011
TAS 31 (revised 2009)	Interests in Joint Ventures	2011
TAS 33 (revised 2009)	Earnings per Share	2011
TAS 34 (revised 2009)	Interim Financial Reporting	2011
TAS 36 (revised 2009)	Impairment of Assets	2011
TAS 37 (revised 2009)	Provisions, Contingent Liabilities and Contingent Assets	2011
TAS 38 (revised 2009)	Intangible Assets	2011
TAS 40 (revised 2009)	Investment Property	2011
TFRS 2	Share-based Payment	2011
TFRS 3 (revised 2009)	Business Combinations	2011
TFRS 5 (revised 2009)	Non-current Assets Held for Sale and Discontinued Operations	2011
TFRS 6	Exploration for and Evaluation of Mineral Resources	2011
TFRIC 15	Agreements for the Construction of Real Estate	2011

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

TAS 16 (revised 2009) - Property, plant and equipment

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

The revised TAS 16 permits as a transitional provision that these changes may be introduced prospectively from the year of introduction. Management intends to adopt this transitional provision and accordingly the introduction of the revised TAS 16 from 1 January 2011 has no impact on the financial statements of 2010 or prior years.

TAS 19 – Employee benefits

There was no Thai accounting standard covering employee benefits effective as at the reporting date and the Group/Company does not presently account for the costs of post-employment benefits under defined benefit plans; other long-term employee benefits; and termination benefits until such costs are incurred. The new TAS 19 includes the requirements to recognise and account for such costs in the period in which the service is performed. The requirements are complex and require actuarial assumptions to measure the obligation and expense. Moreover, the obligations are measured on a discounted basis because they may be settled many years after the employees render the related service. The transitional provisions of TAS 19 permit the transitional liability to be recognised and accounted for in one of four different ways: (i) retrospectively; (ii) immediately in equity (retained earnings) at the transition date; (iii) immediately in profit or loss at the transition date; (iv) as an expense on a straight-line basis over up to five years from the transition date.

Management is currently reviewing the impact on the financial statements of introducing these new TFRS from 1 January 2011.

47 Reclassification of accounts

Certain accounts in the restated 2009 financial statements have been reclassified to conform to the presentation in the 2010 financial statements as follows:

As at 31 December 2009 (restated)

	Consolidated financial statements			Separate financial statements		
	Before reclass.	Reclass.	After reclass.	Before reclass.	Reclass.	After reclass.
	<i>(in million Baht)</i>					
<i>Balance sheet</i>						
Accrued expense	1,551	(383)	1,168	427	(198)	229
Accrued interest expense	1,358	198	1,556	1,127	198	1,325
Provision for loss on confirmed purchased orders for raw material	476	(476)	-	348	(348)	-
Provision for losses related to performance guarantee	620	(620)	-	-	-	-
Provision	-	1,977	1,977	-	884	884
Other current liabilities	2,744	(696)	2,048	1,864	(536)	1,328
		<u>-</u>			<u>-</u>	

Year ended 31 December 2009 (restated)

<i>Statement of income</i>						
Administrative expense	2,316	(927)	1,389	1,156	(602)	554
Bad and doubtful debts expense	1,157	(128)	1,029	4,357	-	4,357
Loss on impairment of assets	1,587	128	1,715	1,907	-	1,907
Other expense	1,152	803	1,955	204	478	682
Finance cost	1,934	124	2,058	1,054	124	1,178
		<u>-</u>			<u>-</u>	

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



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